



USAID | **KOSOVO**

NGA POPULLI AMERIKAN
OD AMERIČKOG NARODA

USAID KOSOVO PRIVATE ENTERPRISE PROGRAM (KPEP)

QUARTERLY REPORT

January - March 2012

Year 4/ Quarter 2

USAID KOSOVO PRIVATE ENTERPRISE PROGRAM

Implemented by
Booz Allen Hamilton

Contract No. EEM-I-07-00007-00

Task Order No. 2

APRIL 30, 2012

This publication was produced for review by the United States Agency for International Development. It was prepared by the KPEP program team of Booz Allen Hamilton.

Contents

Executive Summary.....	3
Component 1: Increased Competitiveness of Key Sectors	9
Agriculture: Livestock.....	9
Agriculture: Fruit and Vegetable.....	16
Agriculture: Non Wood Forest Products.....	21
Forestry: Forests	25
Forestry: Wood Processing	28
Construction: Road	34
Construction: Materials	36
Information Communication Technology (ICT).....	43
Tourism	52
Recycling	57
Component 2: Business Support Services (BSS).....	58
Component 3: Business Enabling Environment (BEE).....	59
Component 4: Work Force Development (WFD).....	64
North Kosovo Activity	67
Women.....	72
Microenterprises.....	73
Support to Other Minority-populated Areas	75
Trade Capacity Building and Facilitation.....	76
Strategic Activities Fund (SAF)	82
Performance Based-Management System	86
<i>ANNEX 1. REPORT ON INDICATORS</i>	<i>114</i>
<i>ANNEX 2: PMP REPORT-ANNUAL GOALS AND RESULTS</i>	<i>140</i>
<i>ANNEX 3: PMP REPORT-QUARTERLY RESULTS.....</i>	<i>143</i>
<i>ANNEX 4. KPEP PUBLICATION MATERIALS - KPEP SUCCESS STORIES Q2 Y4.....</i>	<i>146</i>

Executive Summary

This report covers Q2 of Y4, the final year of activity on the KPEP project. At the close of the quarter, the team began facing the challenge of completing the workplan commitments in the face of close-out activities, with effectively four or five months of full support time remaining for the technical sector leads. The management challenge during this and subsequent months will obviously increase as team members seek new employment opportunities prior to final close out. In anticipation of this, management has fostered increased collaboration between sectors in such a way to minimize the effect of any staff changes in future quarters.

KPEP continues to deliver strong quantitative results and progress against indicators. The project has surpassed the Life of Project increase in sales target of 50M Euros. As of the end of Q2, the increase in sales has been 93.2M Euros. The Agriculture Sector continues to dominate the increase in sales figure, representing 42% of the total. In terms of investment growth, the project has also surpassed the Life of Project target of 20M Euros. The cumulative increase at the end of Q2 is 31M Euros. The Construction Sector and Agriculture Sector are the largest contributors to that investment figure, having their percent share at 39.5% and 38.5% respectively. For the first time in the project, the increase in jobs target has been met and surpassed. It is only in the fourth year of the project that firms have seen the kind of growth that has enabled them to increase their staff. The Life of Project target increase in jobs was 5,036 jobs and current increase is 5,085 FTE jobs. Again, the Agriculture Sector dominates the job figures. Increase in exports, which had no target, stands at 27M Euros. The Construction Sector has the largest share of the exports figure at 41%.

These impressive indicator figures are all the more compelling when viewed against the backdrop of leveraged funding. Every sector and cross-cutting lead created their benchmarks for the Year Four Workplan knowing that they would only be able to fund a small portion (estimated by the team at 32%) of the activity. KPEP continues to fund its ideas with funds from other donors such as the European Union (Tourism Sector wine routes), the Swiss government (SIPPO in the Wood Processing Sector, dairy promotion campaign in the Dairy Sector), the Norwegian government (the Innovation Center in the ICT Sector), as well as the Government of Kosovo (the Investment Promotion Agency of Kosovo and the Ministry of Trade and Industry in multiple sectors; the Ministry of Agriculture in the Agriculture Sector; the Ministry of Labor and Social Welfare in workforce development; the Ministry of the Environment and Spatial Planning in the Construction Sector, the University of Pristina in the Construction Sector). An exciting new development for the project has been new interest from the private sector itself, consistent with the philosophy that multinational corporations have an important role to play in economic development globally. Sharrcem, a division of Titan Cement, the Greek firm with operations in multiple countries, approached KPEP because they had some concepts for job creation in the private sector in the municipality where they operate (Hani i Elezit). They asked KPEP to fully develop concepts that could be funded from their Corporate Social Responsibility budget and were in line with other KPEP initiatives and strategic priorities (particularly in the Agriculture and Forestry Sectors). This discussion is ongoing with Sharrcem but they want to take the concepts forward to their corporate headquarters in Athens.

Despite this challenge, progress against benchmarks in all sectors appears to continue well on track, indicating an excellent private sector response to KPEP initiatives undertaken thus far. Of significance is the emergence of a strong aggregation function across the agricultural sectors, which will provide an excellent foundation for improved backward and forward linkages, access to financial services through payment re-flow mechanisms, and vastly improved market and

producer confidence. Associations have found a stronger voice, too, over the reporting period. The **Dairy** sector associations and the **Wood Processing** association both have seen increased opportunities to raise issues, all to the benefit of members. These developments are encouraging, as they show the basis of sustainability post-KPEP, and offer excellent opportunities for future, additional interventions by USAID and other donors.

Workplan targets in the **Livestock** sector promised full HACCP certification for at least two new dairy operations. KPEP helped successfully conclude both, as it did the initiation by two other dairies of the HACCP-certification process. Private-label sales into the Albanian market have



got off to an encouraging start, with 70% of the 10,000 kilogram benchmark being achieved to date. In addition to this, and certainly as a result of KPEP's intervention in Y3, the Albanian market appears to be very receptive to Kosovo-branded dairy products. This should certainly offset any seasonal spring milk surplus during Q3 and continue to open new opportunities for export. The sector has continued to increase the diversity of its offerings on the market, with flavored cheeses being presented in high-end restaurants and retail chains. Fruit yogurt process lines are fully commissioned in two plants with the

expectation that two new offerings will reach the market early in Q3. The raw milk sampling system appears to be now fully consolidated, despite some remaining opposition from the establishment. Farmers are routinely receiving independent milk quality analyses and readily speak to the benefits. Pricing is generally flowing from these independent results and is specifically reflected in increased producer confidence. Increased demand for dairy animals has incentivized a pilot intervention that involves the transfer of frozen embryos, with the intention of providing locally produced, high-quality genetics. The broiler sector continues on course to increased sales. Konisoni has initiated two new outgrower contracts, as it prepares to launch its new slaughter line. In parallel, the firm has initiated increased market promotion activities in anticipation of increased production.

The **Fruit and Vegetable** sector has focused on increasing the sales value it generates, as well as the diversity of the industry. This is reflected at this time in increased plantings and in the



participation of aggregators in programming and contracting production. The Perdrini association is in the process of preparing to plant out more than 600 hectares of open-field vegetables, with a potential yield of 18,000 metric tons. Abi & Elif, together with the new Kelmendi GmbH investment in a collection center, will between them require at least 15,000 metric tons of produce, both for local and export sales. Kelmendi's temporary facility is roughly 800 cubic meters in size and occupies rented facilities in Peja/Pec, pending construction of permanent facilities on leased land. It has the full intention of programming its production for its Western European

network. A Turkish investor, Koroglu, has maintained a portion of its commitment to new pepper production for local processing and export, despite negative reports about soil contamination in Kosovo. Greenhouse establishment will fall short of the benchmark targets for a number of reasons. Still, new area will come into production for the late season harvest. An Israeli consortium has finalized its delivery into the market after a lengthy set of agreements reached between the World Bank's CDF, Raiffeisen Bank, growers and the farmers' cooperative Gjakova-1. Interest in the direct programming of production is beginning to be felt, indicating

solid interest in delivering predetermined volumes of high-quality product. This will pave the way for private-sector extension service provision in the near future. Additionally, the innovative approach to expanding shiitake mushroom production, under contract to King Mushrooms in Klina for export, is making good progress. The firm is making the necessary investments in its plant and technology, while at the same time the partnership with the USAID YEP program is advancing well. More than 100 farmers have developed business plans and these should proceed through the YEP process early in Q3.

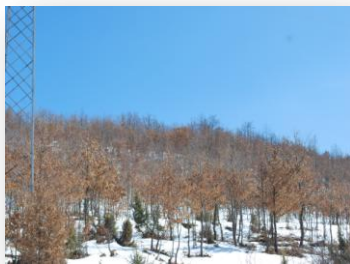
Increasing the value of **Non Wood Forest Products** without having an adverse impact on the environment has been the basis of KPEP engagement in the sector during Y4. A critical part of this value addition has been conclusion of the HACCP certification process for firms engaged in the sector. Five firms finally received HACCP



confirmation during Q2, putting them in a stronger market position, while emphasizing their documentation and training responsibilities. Interest in the products on offer have increased significantly during Q2, especially following participation in the BioFach fair in Nuremberg, Germany. There, four local firms exhibited and promoted Kosovo product under the theme “Treasures Out of Nature.” Established and new markets alike showed strong demand, not only for wild harvest products but cultivated medicinal and aromatic plants (MAPs) as well. Inward market visits by firms such as Martin Bauer,

which account for more than 50% of the world market in these products, has emphasized the potential for Kosovo-sourced MAPs. Cultivated area has increased to more than 65 hectares; an area that should increase up to 100 hectares before the planting season comes to an end. That growth would exceed the established benchmark for Y4. Meanwhile, new markets have opened up in Germany, Austria, Slovenia and Bulgaria as a result of this market exposure. The resulting challenge of rapidly increased demand for working capital is beginning to be felt by firms in the sector and will require KPEP support during Q3. Intensification of raspberry production in Shterpce/Strpce has progressed well, with the USAID YEP partnership providing critical capital for producers willing to intensify their production practice. Final figures will materialize during Q3, but current indications are that just shy of 10 hectares of new/intensified plantings will result from this intervention. Ongoing negotiations between the farmers and the new association are ensuring a solid basis for future development, despite continued requests for intervention, from farmers, by the KPEP and YEP field teams.

The **Forest** sector has had as its primary goal the ratification of the Kosovo forest management standard by the Forest Stewardship Council. To date, the FSC still has not ratified this national standard, despite ongoing communications with senior management in the FSC. They have promised results early in Q3. In the meantime, KPEP has been active in working with the sector



to prepare for the upcoming imposition of an EU regulation that will require strict sourcing documentation for timber products. Even though this does not necessarily mandate compulsory chain of custody (CoC) documentation, four firms have expressed interest in adopting this system to prepare them for ultimate full certification. Additionally, KPEP continues to keep the enthusiasm for pre-audit work with the two target management units in Dragash/Drigas and Kaçanik/Kacanik. During Q2, KPEP finalized the educational aspect of its forest awareness program with the publication of the booklet “My Forest,” with an initial print run of 1,500

copies. This was distributed initially to participating schools. Arrangements will be made for a formal presentation of the booklet, along with essays and experiences, sometime during Q3. Additionally, the forest sector lead has continued to play an active role in the ongoing discussions regarding the new law on forest management.

The **Wood Processing** sector emphasized throughout Q2 participation in regional and international trade fairs. These arrangements have all been part of the annual workplan of the Association of Wood Processors of Kosovo (AWPK), and as such have served to strengthen the



capacity and position of the association. This exposure has led to an increase in exports and, very importantly, a diversification of the destinations for these export sales. Improvements in quality and design have contributed to market expansion. Lesna Design has opened up a sales outlet in Tirana, Albania, as a result of exposure and market interest generated at that country's Albrelax furniture fair. Korenica, together with the Swiss Import Promotion Programme (SIPPO), bolstered by KPEP support, has begun to receive orders for its flooring product as a result of Swissbau trade fair exposure.

Kosovo's furniture manufacturing firms have continued, with KPEP support, to improve their product certifications as they establish a more sustainable European market presence. Both Tefik Çanga and Elnor have received European standards accreditation for their export products. This sustained and diversified growth in sales, with quality and design driven by exports, has produced a furniture export sales peak that is equivalent to that of 2009, when the German market for the dominant exporter at the time, Kosovo Wood, collapsed. Additionally, KPEP continues to work toward increasing investments in the biomass industry. Feroda, a long-established KPEP client, has increased its installed capacity by 50% and a new entrant (the Lean Co.) in the market began investing during Q2 in a pellet production plant.

The **Road Construction** sector has focused during Q2 on the training of road engineers through the continuation of the University of Pristina masters' degree program, and on the training and certification of welders through the KEK training center. Fifteen masters students and five public sector engineers have been selected to be trained by the Texas Training Institute (TTI) early in Q3 on one specific critical module in the masters' program. This program will now be essentially sustainable, by utilizing teaching assistants trained in conjunction with a proposed teleconferencing mechanism. Additionally, 25 welders have received training at the KEK training center. Their training resulted in full certification, both local and international, with 10 of the



graduates gaining employment. The **Construction Materials** sector has continued to emphasize the development of the program for the licensing of architects and engineers. During Q2, the temporary special board of the MESP has finalized the procedures for examiners as well as the procedures for applying for the examinations. It is envisaged that the call for examiners will be made early in Q3. Support to construction materials firms continues, with clay products manufacturer Brickos making excellent progress in establishing its new kiln units. Rizam launched its internal quality control laboratory during Q2.

Certification of products to European standards remains a significant obstacle to the expansion of production processes targeting the export or import substitution markets. Certification remains very expensive and poses a barrier to entry for these companies at this time. Despite

these constraints, new markets are opening up for the sector and the workforce continues to expand, with an impressive additional 71 full-time equivalents (FTEs) being added by KPEP client construction materials firms during Q2.

The **ICT** sector continues its program of firm-level support, adding during Q2 international fair exposure to open up new market opportunities. AdaptivIT and Baruti benefited from attendance at the Berlin, Germany CallCenterWorld trade fair. Baruti has made significant progress in



business expansion, as it now employs 16 full-time and three part-time staff. In support of the growing interest in outsourcing, KPEP has worked additionally with IPAK to develop a web portal that will highlight the opportunities for outsourcing support functions to Kosovo. Additional to this, KPEP and IPAK worked to promote Kosovo as a near-shore destination at the CeBIT trade show in Hanover, Germany. Work-force development in the ICT sector has continued to show results with the interns supported for the Tekfuze assignment being employed by the firm and ultimately put to work on redesigning electronic

components for its first customer, an Irish electronics manufacturer. The product will be launched at the Balkan Venture Forum early in Q3. KPEP has continued to seek leverage opportunities with the Norwegian-funded Innovation Center Kosovo as well as work with the ICT association STIKK in the identification of internship opportunities.

The **Tourism** sector has begun to see the results of its efforts to include Kosovo in regional tourism offerings reflected in both regional and international tourism media. This has resulted in a dramatic increase in tourism receipts, albeit from a modest beginning. Total revenues are up



more than fivefold over the same period last year and significantly, international tourism receipts are up more than threefold. This marks a significant development for the sector and will serve to further spur growth in terms of quality of service and diversity of offerings. The wine tourism offering, initiated by KPEP, has seen positive growth with an approximately 50% increase in international tourists over the period as well as an encouraging more than fivefold increase in local tourists making use of wine tourism facilities. Eighteen new business linkages with the wine sector have supported this

growth. These include artisanal product sales and increased service provision. Of interest is the inclusion of one new bed-and-breakfast provider, which is encouraging, as this remains a critical component going forward.

Recycling received limited additional intervention during Q2. The Rahovec/Orahovac municipality has embraced the “Business Going Blue” campaign, encouraging the private sector to support a cleaner municipality through recycling. This will be enhanced by the growth in the tourism component, as there is a clear linkage between recycling, environmental awareness and the character of a region. PET collections continue to increase albeit slowly, given the harsh winter.

The support service components—**Business Support Services, Work Force Development** and **Business Enabling Environment**—remained fully functional over Q2. BSS and WFD have been critical in all internship program activities as well as in providing support to associations. Of note has been the pivotal engagement of BSS/WFD in the continuing development of the

KEK training center, as it provides for increased professional training to both welders and heavy equipment operators. BEE support has continued to provide critical project coordination between KPEP and both USAID and non-USAID partners. This collaboration has led to increased opportunities for leverage as well as opportunities for KPEP's experience to have an impact on other donor programs.

The **North Kosovo Program** saw an increase in activity during Q2. Despite the harsh winter, the grants program has continued to support established businesses and to complete the remainder of the short-term work activities, mainly in the forest thinning activity. That activity had



stalled due to inclement weather. Short-term work targets have been exceeded and new options for short-term work involving asset donation have been developed. These are likely to be included in a contract modification expected in early Q3. The first round of the internship program has drawn to a close, with almost 40% of the interns being offered full-time employment. This is a significant figure. KPEP internship activities throughout the country have on average managed to place between 50% and 60% in full-time employment, so the achievement in North Kosovo is encouraging. A second round of the internship program is in

progress, with 60 interns being placed with companies. Additionally, the business start-up program has managed to register almost 100 new businesses. The grant process also is progressing well. It is anticipated that disbursements will begin to be made early in Q3. Despite the fluctuating security situation, which at times has been very tense, the North Kosovo program team remains fully engaged.

Component 1: Increased Competitiveness of Key Sectors

Agriculture: Livestock

Livestock Industry: Dairy

Objective 1: Increasing Value

Benchmarks

- **At least two dairy plants HACCP certified (in process)**

After nearly a year's worth of implementation, VERITAS, the international HACCP certification company, announced during Q2 that the Kabi and Rugova dairies are in full compliance with international HACCP standards. Also during Q2, the Eurolona and Magic Ice dairies agreed to commence implementation of HACCP standards in their respective plants.



USAID Assistant Administrator Paige Alexander presents HACCP certification to Rugova dairy plant owner Visar Kelmendi.

- **At least one private label contract signed (achieved)**

During Q2, the Bylmeti dairy plant, under an agreement with Lufra, an Albanian dairy plant based in Lushnje, began exporting peppers filled with cream for sale across Albania under the Lufra label.

- **At least 10,000 kilograms of dairy products exported under private labeling (in process)**

In Q2, Bylmeti exported to Albania, for sale under the Lufra label, 7,000 kilograms of peppers filled with cream at price of 2.30 Euros per kilogram. Additionally, Bylmeti exported under its own label 30,000 kilograms of peppers filled with cream to the Tirana-based dairy Extra Milk. The total value of the exports was 85,100 Euros. The benchmark target of 10,000 kilograms will be more than exceeded thanks to the private labeling agreement. The demand for this product stems from last year's export of fresh milk to Albania, which served to establish firm market linkages.

- **Funding raised for the dairy promotion campaign (in process)**

During Q2, KPEP, through its contacts with Solidar Suisse, exacted a pledge from the Swiss NGO to help support and organize the dairy promotion campaign, slated for May 15-June 15.

- **Ensure the enforcement and implementation of existing trade agreements between Kosovo and other countries (planned for future period)**

At the request of its clients, USAID KPEP aided in resolving a trade issue sparked by the application of a set of non-tariff barriers to Kosovo-sourced food products by the Macedonian authorities. Problems had occurred with the import of Kosovo products into Macedonia given that importers were being asked to provide a certificate of quality, a document not previously required. KPEP shared this information with the Minister of Trade and Industry leading to resolution of the trade issue.

Additional Achievements

KPEP is working with the University of Iowa as a source for dairy cow embryos supporting in support of a dairy embryo transplant pilot project—a first for Kosovo. KPEP seeks to increase the availability of higher-quality dairy cow genetics in order to meet increased milk demand. Offering the dairy industry higher quality heifers, thanks to imported embryos, could substitute the more expensive and complicated import of in calf heifers from Western Europe. Eventually, the import and implantation of embryos could lead to a new dairy associate business.

Challenges

KPEP continues to face challenges in engaging members of various dairy associations in finding ways to lobby the government on responding to dairy import subsidies.

Activities Planned for the Next Quarter

- Commence HACCP implementation at Eurolona and Magic Ice dairy plants.
- Launching the annual dairy promotion campaign.
- Bringing to the same table members of the various dairy associations, thereby strengthening the Kosovo Dairy Processors Association (KDPA) in its ability to lobby effectively.

Livestock Industry: Dairy

Objective 2: Increasing Diversity

Benchmarks

- **At least 2 client firms will introduce new dairy products, including fruit yogurt and seasoned Gouda cheese. (in process)**

During Q2, the Devolli dairy plant launched production of plain yogurt in Tetra Pak packaging and is planning to commence production of fruit yogurts during Q3. Additionally, the Eurolona dairy plant installed an Italian-manufactured fruit yogurt filling line and they are planning to commence production of fruit yogurts during Q4. Meanwhile, the Rugova dairy produced in Q2 its first batches of Gouda seasoned and flavored cheeses and herb and vegetable cheeses. The cheese is being sold in small quantities through selected restaurants in Prishtina, where reports indicate it has been well received.



Seasoned Gouda cheese and white cheese with herbs and vegetables produced by Rugova dairy

Additional Achievements

Based on KPEP's recommendation, CDF awarded a 10,000 Euro grant to the Rona dairy plant for the purchase of a milk homogenizer and laser printer. The total investment cost is 15,000 Euros.

Challenges

Due to seasonal shortages in the supply of raw milk, the Sharri dairy will commence production of Gouda cheese with fruit flavors during Q3.

Activities Planned for the Next Quarter

- Commence production of fruit yogurt by Devolli dairy plant.
- Commence pilot production of Gouda cheese at Sharri dairy plant.

Livestock Industry: Dairy

Objective 3: Increasing Productivity

Benchmarks

- **At least 2,000 samples a month analyzed, with test results delivered electronically via SMS and email to dairy farmers and dairy processors (in process)**

KPEP has supported an innovative IT solution that allows for the transparent aggregation and dissemination of raw milk quality results. On a regular basis, the KFVA raw milk laboratory receives bulk milk samples, collected from dairy farms by field agents, in batches. In March, the laboratory analyzed 1,560 raw milk samples. According to the coordinator of the transparent raw milk-sampling project, dairy farmers with farm holding numbers regularly receive raw milk test results electronically. However, a large number of small-scale dairy farmers sell their milk to dairy processors without providing farm-holding numbers. Therefore instead of an electronic receipt, they receive their test results in hard copy format, through their collection agents. KPEP has asked the field agents to help the KFVA's identification and registration unit to update these farms holding numbers, which include the required contact details.

- **All dairies apply the milk quality decree (planned for future period)**

The end market is encouraging dairy processors to implement the milk quality decree. Due to improvements in product quality, the market has a better perception of those dairy products made by dairies that enforce the milk quality decree.

Additional Achievements

KPEP signed a contract with Info Tech, a local IT company, to maintain the software for the electronic delivery of raw milk test results. The company will perform software maintenance services in order to ensure uninterrupted delivery of raw milk test results to dairy producers and dairy processors.

Challenges

The system of data collection, analysis and dissemination was developed around the KFVA's identification and registration unit with the Inter-Trace software forming the core data repository and source of analytics and dissemination. The challenge with the Inter-Trace software, which enables the electronic delivery of raw milk test results, is that it can't function without a farm holding number; as a result, farmers lacking such a number cannot receive automated results.

Activities Planned for the Next Quarter

- Design a link for placing raw milk test results on the KFVA's website.
- Visit dairies to ensure the uniform application of the milk quality decree.

Livestock Industry: Poultry

Objective 4: Increasing Value in the Poultry sector

Benchmarks

- **At least one broiler growing contract signed (achieved)**

Konsoni is finalizing the installation of a new broiler slaughtering line that will increase its slaughtering capacity tenfold, to 20,000 birds per shift, up from 2,000. Konsoni continues to grow fewer broilers than it has the capacity to process, therefore it must contract with growers. Indeed, Konsoni has signed contracts agreement with two new outgrowers, after they who have invested in broiler growing facilities. Additionally, thanks to KPEP support, Konsoni in Q2 commenced a marketing campaign by opening six specialized retail stores where it sells its own fresh poultry meat and eggs.



Broiler fridge in Konsoni's specialized retail store in Prishtina

- **Sales will be increased by at least €400,000 by the end of September 2012 (in process)**

KPEP assisted in resolving a trade issue involving the dumping of fresh poultry meat imported from Slovenia, thanks to its raising of the issue with the Minister of Trade and Industry. As a result, Konsoni saw a 255,007 Euro increase in its sales of fresh poultry meat in Q1 and Q2, compared to the same period a year earlier.

Additional Achievements

At the request of the new MAFRD economic analyses unit, KPEP provided it with broiler cost-of-production data.

Challenges

The main challenge involved convincing lending institutions to provide better terms to poultry outgrowers for investing in broiler-growing facilities. This challenge will be dealt with during Q3, as packages of production cost data will be presented to banks to reduce their risk perception.

Activities Planned for the Next Quarter

- Providing technical assistance to the contracted broiler outgrowers.

Agriculture: Fruit and Vegetable

Agriculture: Fruit and Vegetable

Objective 1: Increasing Value

Benchmarks

- **At least one new vegetable processing company initiates production of processed fruit and vegetable with investment of more than €200,000 (in process)**

Hosa Fresh is in the process of obtaining new machinery to add to its vegetable processing line by the end of August, in time for handling the 2012 crop.

- **At least 5,000 metric tons of vegetables used in the process industry – up from 2,000 metric tons in 2011 (in process)**

The Perdrini cooperative has planted seed for vegetable seedlings that in turn should be planted across approximately 600 hectares of open fields in May. The harvest will yield approximately 18,000 metric tons. That yield will more than satisfy the demand from Prizren-based Abi & Elif (ex Progres), given its interest in purchasing 7,000 metric tons of vegetables for processing. KPEP will stay involved in facilitating the delivery and supply of raw materials from farmers involved with the Perdrini cooperative.

- **At least 10,000 metric tons of fresh vegetables sold internationally (in process)**

KPEP has confirmation from Kelmendi GmbH that it will increase its exports of vegetables to Europe. The precise amount should be known by the end of April 2012. Unfortunately, Perdrini rejected an offer to contract production of 2,000 metric tons of vegetables for a Slovenian company, Natureta, over payment issues. However, the scuttled deal highlights renewed interest abroad in adding Kosovo as a procurement option. KPEP facilitated Kosovo farmers in obtaining seeds from a Turkish company, Koroglu. Koroglu had hoped to plant six hectares of a Macedonian pepper variety for export to the U.K. However, due to a negative report on pollution in Kosovo, Koroglu planted just 2 hectares during Q2. Overall, exports totaling 10,000 metric tons appear quite possible this season.

- **At least 7 new hectares of greenhouse will be established (planned for future period)**

KPEP likely will only partially meet this benchmark. During Q2, KPEP awarded DST Product a contract to construct the first 0.24 hectares of greenhouses, or 20 units, each 120 square meters in size, as soon as the process of identifying beneficiaries in North Kosovo is complete. The project eventually calls for 150 greenhouses, or 1.8 hectares in total, to be installed in North Kosovo. Additionally, the Israeli greenhouse contract, once finalized, will add 1.2 hectares. And there remains strong interest from Sharrcem to institute a greenhouse model, similar to KPEP's North Kosovo option, for an additional 1.2 hectares, bringing the total potential greenhouse establishment this year to just over 4 hectares.

- **At least 75 farmers will receive the Israeli greenhouse package (planned for future period)**

This project has partially met this benchmark, with the Gjakova-1 Cooperative signing a contract with an Israeli greenhouse supplier in December 2011. The project remains in the implementation phase, with KPEP facilitating. Raiffeisen Bank has provided a Letter of Credit to the Israeli supplier and 12 farmer beneficiaries have received funds from CDF. KPEP is in the process of securing extension service advice and the Israeli supplier is in the final phase of delivery. The 12 Gjakova-1 Cooperative farmers have planted seedlings for transplantation in the greenhouses as soon as they are in place by the end of April 2012.

- **Vegetable production from greenhouse increases by at least 1,000 metric tons in 2012 (in process)**

Nothing to report in Q2; see previous quarter remark. Note that the projected greenhouse capacity available for vegetable cultivation is expected to reach 2.2 hectares. That area should allow for the annual production of 200 to 300 metric tons of vegetables.

Challenges

One of challenges to export remains payment terms. Producers are not yet fully able to manage the long delay between shipping and payment—a delay that take up to 45 days post-delivery. Increased utilization of aggregation options should improve the situation. Additionally, small producers and aggregators are asked to submit stringent export documentation, another limitation faced by small units. This too should be remedied with the introduction of larger aggregation units.

Activities planned for the next quarter

- Final implementation of Israeli greenhouse project and training of new operators
- Facilitate training on fruit and vegetable postharvest handling
- Continue advising and creating linkages to introduce processing technology to new vegetable processors such as Hosa Fresh, Rizona and Fitimi.

Agriculture: Fruit and Vegetable

Objective 2: Increasing Diversity

Benchmarks

- **At least 100 farmers involved in shiitake mushroom cultivation (planned for future period)**

KPEP, working in partnership with the YEP project, pushed forward a cooperative franchising offer from King Mushroom, setting up a training and site visit process that involved 130 farmers. Eighty of the farmers deemed eligible to become franchise cultivators of shiitake mushrooms come from the Klina area; another 50 come from North Kosovo. Each of the farmers is expected to place 40 square meters under mushroom cultivation. KPEP, through its PBMS specialist, supported King Mushroom by providing financial analyses for the project and facilitated the company during its negotiations with both its lender and USAID YEP.

- **At least 5 metric tons per month of shiitake mushroom produced by the out grower process (planned for future period)**

Nothing to report in Q2.

- **Participating farmers increase gross revenues by at least €4,000 per month during the production season (planned for future period)**

Nothing to report in Q2.

Activities planned for the next quarter

- Finalize financing model and farmer participation in the shiitake program.
- Facilitate North Kosovo participation with farmer promotion and contract discussions.
- Oversee signature of franchise contracts between King Mushrooms and franchisees.

Agriculture: Fruit and Vegetable

Objective 3: Increasing Productivity

Benchmarks

- **At least 200,000 grafted seedlings sold in 2012 (partially achieved)**

KPEP likely will partially meet this benchmark during Q2 due to difficulties with the purchase procedures and delivery of a robot grafting machine. Client firm Fidanishtja e Godancit, with the continuous engagement of KPEP's Strategic Activity Fund, will import the machine either from the U.S. or South Korea. KPEP and Fidanishtja e Godancit will promote tests of the grafted seedlings in Q3.

- **At least 20 new farmers plant locally produced grafted seedlings (unlikely to be met)**

Nothing to report in Q2.

- **At least one large fruit/vegetable aggregation center to become operational in 2012, supported by KPEP advisory (in process)**

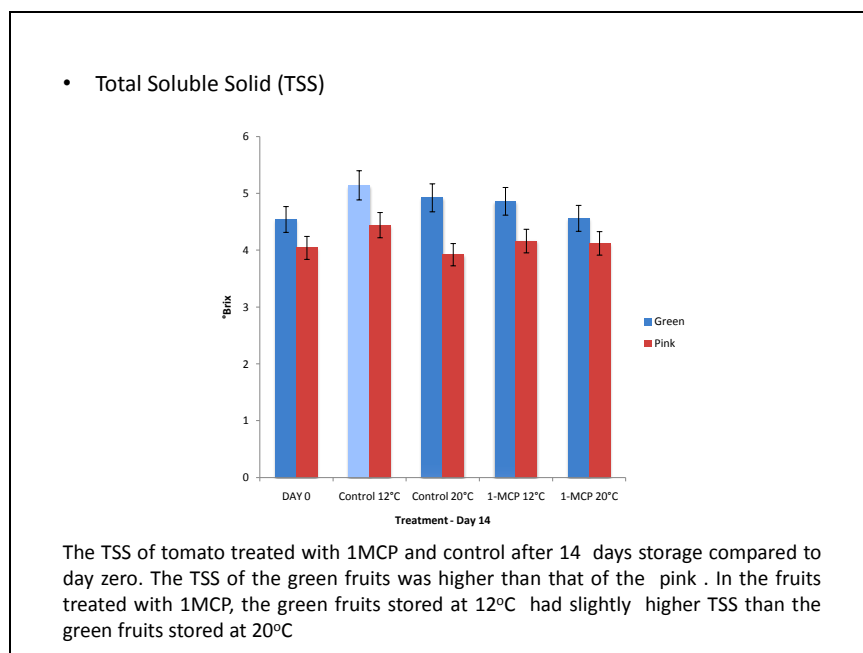
To date, MAFRD continues to consider procurement options and ways of obtaining World Bank financing. Additionally, private companies, such as Elkos Group and Kelmendi GmbH, are looking at a facility that will serve both import and local aggregation functions. KPEP is working with this group to develop its options. Kelmendi GmbH has established a cold store and aggregation center, divided by basic classification units, in leased premises in Peja/Pec and has already confirmed the municipality's assignment of land to construct a permanent facility. This unit should be operational this season, with initial production contracts already underway.

Additional Achievements

- KPEP's agriculture sector specialist gained certification in fruit and vegetable postharvest handling after attending a training course in Israel.
- KPEP facilitated a linkage between the Turkish company Koroglu and Hosa Fresh of Kosovo to plant two hectares of peppers dedicated for export to Great Britain.



February 2012, Bet Dagan Institute, Tel Aviv; an experiment on extending the storage life of peppers using a modified atmosphere.



KPEP Agriculture Sector Specialist delivered a presentation to an audience at Bet Dagan Institute on March 7, 2012, upon successfully completing an experiment on extending the shelf life of tomatoes using 1-MCP (1-Methylcyclopropene); 1-MCP is a cyclopropane derivative used as synthetic plant growth regulator.

Activities planned for the next quarter

- Support Fidanishtja e Godancit to finalize grafted seedlings project.
- Work with Kelmendi GmbH and its production programming.
- Continue work with YAPRAK on its private extension service.

Agriculture: Non Wood Forest Products

Non Wood Forest Products

Objective 1: Increasing value

Benchmarks

- **At least five new firms will acquire HACCP certification (achieved)**

All five client firms that KPEP has supported stand to gain HACCP certification by the next collection and processing season. Certification should come in wake of increased efforts by KPEP and its implementing company, Sigma, to finalize the firms' certification work. At APS, for example, the firm has completed its cooling and storage facilities, allowing the final auditing process to proceed.

- **At least 300 collectors will receive training on environmentally sound collection practices (planned for future period)**

This activity remains in process and will take place through aggregator clients prior to the next harvest.

- **Cultivated herb production expands by at least 50 hectares in 2012 (exceeded)**

The APS (Agroprodukt-Syne) Company remains on track to plant additional 15 hectares of cultivated chamomile, marshmallow, oregano and parsley, as result of new contracted sales, with both existing and new buyers in Germany, logged through that country's BioFach fair. The planting joins the 65 hectares already planted and slated for harvest and processing during the summer. This increase of additional twenty hectares of planted cultivated herbs we achieved total of 70 ha, as a result of continuous efforts of KPEP and APS in developing interest by small farmers in planting new crops. APS has also extended plantings in its own production area, to support the increase in demand for its products, and this way.

- **Provide training for NWFP collectors in cooperation with collection centers (planned for future period)**

KPEP is working with the main NWFP processing companies, i.e. those with the largest number of networked collection centers and largest number of collectors, so they may better protect the natural resources upon which they depend. The trainings are scheduled to take place during the preharvest period, with follow-ups during the harvest season. They will include the municipal agriculture officers responsible for the subsector.

Additional Achievements

In addition to increased efforts to establish commercial plantings of NWFP, KPEP has supported efforts to improve the local market for processed cultivated herbs. This effort has met with some positive results, as supermarkets look to increase their range of high-end products.

Challenges

One of the major challenges remains the lack of local sources of expertise. KPEP seeks to create an environment where agronomists will see the benefits of becoming specialized in herb cultivation. They can then serve local HACCP-certified processing companies that seek to enter the high-value export market.

Activities Planned for the Next Quarter

- Assist five companies in the first phase following HACCP certification.
- Increase efforts to help companies identify suitable specialists who can lend valuable expertise for specific tasks.
- Continue to actively promote farmer interest in cultivated production of NWFP and link this interest with exporters.

Non Wood Forest Products

Objective 2: Increasing Diversity

Benchmarks

- **At least 3 NWFP firms participate in appropriate sector trade fairs (achieved)**

Four partner client companies participated in the most important trade fair for the sector, BioFach, held Feb. 15-18 in Nuremberg, Germany, thus exceeding the benchmark. Besides the Hit Flores and APS companies, which are organically certified, the Scardus and Eurofruti companies also participated actively and booked increased sales of their wild-collected organic and conventionally cultivated products. Overall, sales contracts entered into by all four companies during the fair exceeded the benchmark of 2,000,000 Euros.



Kosovo NWFP generated significant interest at the BioFach fair in Nuremberg, Germany

- **Kosovo exports of NWFP to at least two new markets (exceeded)**

This benchmark has been exceeded due to the opening of new markets in Germany, Austria, Slovenia and Bulgaria following client firm participation in the BioFach fair. Clients cite the high quality of their wild-collected and cultivated products in contributing to their penetration of new markets.



Under the slogan, "Kosovo-Treasures out of Nature", Kosovo drew the interest of foreign buyers at BioFach

- **At least 50 metric tons of wild harvest chestnuts exported (achieved)**

Hit Flores agreed at BioFach to ship to Fratelli, an Italo-Hungarian company, 150 to 300 tons of sweet edible chestnuts, depending on seasonal conditions and what collectors are able to supply. Previous KPEP assistance to Hit Flores, which has improved its infrastructure and machinery, has increased the firm's ability to sell chestnuts in EU markets.

- **Sales of NWFP increase by at least 25% (in process)**

In process to be achieved. If seasonal conditions prove conducive, collected and cultivate offtake should yield a 25% increase in revenues for this sector. Indeed, demand by EU markets for collected and cultivated products continues to increase.

- **Areas of cultivated raspberries increases by at least 10 hectare in Shterpce/Strpce and Dragash/Dragas (achieved)**

KPEP supported YEP and certain municipal authorities, responsible for the franchise model of micro business opportunities, in planting slightly less than 10 hectares of intensified raspberry orchards. Besides the technical support lent to this project, KPEP seeks to open new domestic markets for the growers. Working in cooperation with Scardus Company, the main raspberry buyer in the Shterpce/Strpce area, KPEP seeks clients interested in buying fresh-packed raspberries. Through KPEP's contacts with stakeholders, the MVM farmers' association was able to secure a large amount of high-quality inputs for the intensification program.

Activities Planned for the Next Quarter

- Continue to use KPEP's marketing network in order to initiate value-added raspberries sales in the local market.
- Continue to support APS in the growth and maintenance of its existing business relationships with Martin Bauer Group, Weleda AG, Bionorica AG and others in developing its cultivated NWFP area this season.
- Continue to support Hit Flores with its aggregation process that covers the new processing, cooling and storing capacities the company now enjoys.

Forestry: Forests

Forestry: Forests

Objective 1: Complete accreditation of Forest Stewardship Council Standard (FSC) for Kosovo (ongoing)

Benchmarks

- **Accreditation of the FSC Standard for the Republic of Kosovo by the FSC International Centre Policy and Standard Unit in Bonn, Germany (in process)**

Expected to be met during Q3. During Q2, KPEP continued its correspondence with FSC International Centre's Policy and Standards Committee in Bonn, Germany. One of the issues raised was the status of the application put forward by the Standards Development Group (SDG) seeking final approval of the FSC Standard for Kosovo. Another concerned the possible effects of the recently approved Principles and Criteria (P&C) by FSC's membership. KPEP learned that the FSC's board of directors that the Policy and Standards Committee was expected to meet in April and complete its approval of various standards, including those for Kosovo.

- **Awarded FM certificates for at least two management units: Ahishte in Kaçanik and Koritnik in Dragash (in process)**

Progress on this activity remains pending a FSC decision on accreditation of Kosovo's FSC standard. During Q2, KPEP continued to present to key national and municipal forest authorities the main FSC requirements and necessary improvements in order to achieve the preconditions for forest certification. As a result of this activity, KFA invested 50,000 Euros in the rehabilitation of 5.8 kilometers of roads in the Koritnik II – Dragash/Dragas management unit. This investment should help the management unit meet FSC requirements as well as forest certification. Another KPEP focus was to provide support to the KFA legal office in drafting an instruction on assessing the impact of forest operations on water, soil and the environment. This document remains under discussion for final approval by the KFA board as an internal instruction. These two activities are required by the FSC. They also form part of the preparatory activities before any preaudit and main audit in the forest management units Ahishte – Kaçanik/Kacanik and Koritnik II – Dragash/Dragas that have been selected for FSC certification.

- **CoC certificate for at least three private wood-processing companies issued (in process)**

Following the Q1 adaption of the guide for CoC certification and other FSC-related documents, KPEP continued to update the members of AWPk on the EU Timber Trade Regulation, which will come into force in 2013. The regulation will prohibit wood processors from placing harvested timber and timber products on the European market unless they bear CoC certification, in an effort to curtail illegal logging. KPEP also followed up on the identification of potential wood-processing companies that would make attractive candidates for CoC certification. It then identified four (Tefik Canga Design, Elnor, Peja Wood and Korenica) as potential candidates for FSC CoC certification.

Additional Achievements

KPEP followed up on its previous efforts to build awareness and appreciation for the benefits of forest preservation and certification, primarily through the “My Forest” project implemented by the NGO “Mali” in Suhareka/Suva Reka; “Finchi” association of private forest owners in Prizren; “Gjeravica” in Junik; and the Netherland Development Organization (SNV). The latter serves as a partner in underwriting the cost of printing 1,500 copies of the “My Forest” booklet, for distribution in schools. The booklet is meant for use by students as a guide and inspiration to developing new ideas about how to raise awareness of the importance of forests in their future lives.



Students receive copies of the “my forest” booklet

Forest maintenance through silviculture treatment (in process)

Sharrcem, the cement manufacturer that forms part of Greece’s Titan Group, solicited ideas from KPEP on investments it could make in helping to develop the municipality of Hani I Elezit/Dzeneral Jankovic, the site of one of its plants. KPEP, in consultation with agriculture, forestry and rural development authorities, prepared a short presentation of priorities in forested areas for silviculture management. The field priorities provided to Sharrcem management included proposals to manage 200 hectares of young stands and rehabilitate 5.5 kilometers of forest roads.

Meanwhile, KPEP anticipates the NGO Help and Support “M&A” in Leposaviq/Leposavic will soon finalize the KPEP-funded silviculture treatment of young stands, completing the last 38 hectares according to plan.



Workers thinning a young stand of trees, with untreated forest in the background.

As in Q1, KPEP remained actively engaged in presenting the importance of FSC standards and the impacts of forest certification to all interested groups and donors in the forestry sector (SIDA, SNV, FAO, EU, Finnish and Norwegian embassies).

Challenges

- Delays in a final decision from the Policy and Standard Committee of the FSC on an application submitted Oct. 21, 2011.
- Slow progress within forestry institutions on improving the quality of planning and harvesting techniques and in meeting FSC requirements on forest management operations in order to eliminate identified gaps before preaudit and main audits may begin.

Activities Planned for the Next Quarter

- Continue to work on accreditation of the FSC Standard for Kosovo by the Policy and Standard Committee of the FSC.
- Continue to provide technical support to the Kosovo Forest Agency and various municipal forest authorities to meet FSC requirements on preparing selected management units for preaudit and main audit and FSC forest certification for Ahishte – Kaçanik/Kacanik and Koritnik II – Dragash/Dragas.
- Continue to work with AWPk on the identification of at least three private wood-processing companies for CoC certification.

Forestry: Wood Processing

Wood Processing

Objective 1: Increasing value

Benchmarks

- **At least 10 marketing and furniture design interns placed (achieved)**

Completed in Q1. KPEP now plans to place another 10 interns in design- and marketing-related positions, in a bid to create positions within client firms. The activity should take place in Q3.

- **AWPK prepares and presents industry position including biomass to at least two commercial banks (planned for future period)**

This activity should take place in Q3

- **AWPK implements the furniture design competition (planned for future period)**

This activity should take place in Q3.

- **AWPK annual plan developed and implemented (achieved)**

AWPK has developed its annual operations plan. KPEP held several meetings with AWPK members and board members to discuss multiple ideas on how to implement and reprogram its working plan. KPEP also worked closely with AWPK staff and membership on preparing for the Mebel trade fair in Skopje, Macedonia, resulting in bold displays and significant new sales. Elnor, Divani, Deco and Lesna were among those companies that successfully presented both their products, as well as Kosovo's overall wood processing industry, at the region's most important furniture trade fair. KPEP worked closely with companies to prepare them for the event, sharing new furniture styles and aiding them in developing several new furniture designs for market presentation. Potential export sales from the event totaled more than 1,000,000 Euros.



Elnor's booth at the Mebel trade fair in Skopje.



Lesna's presentation.

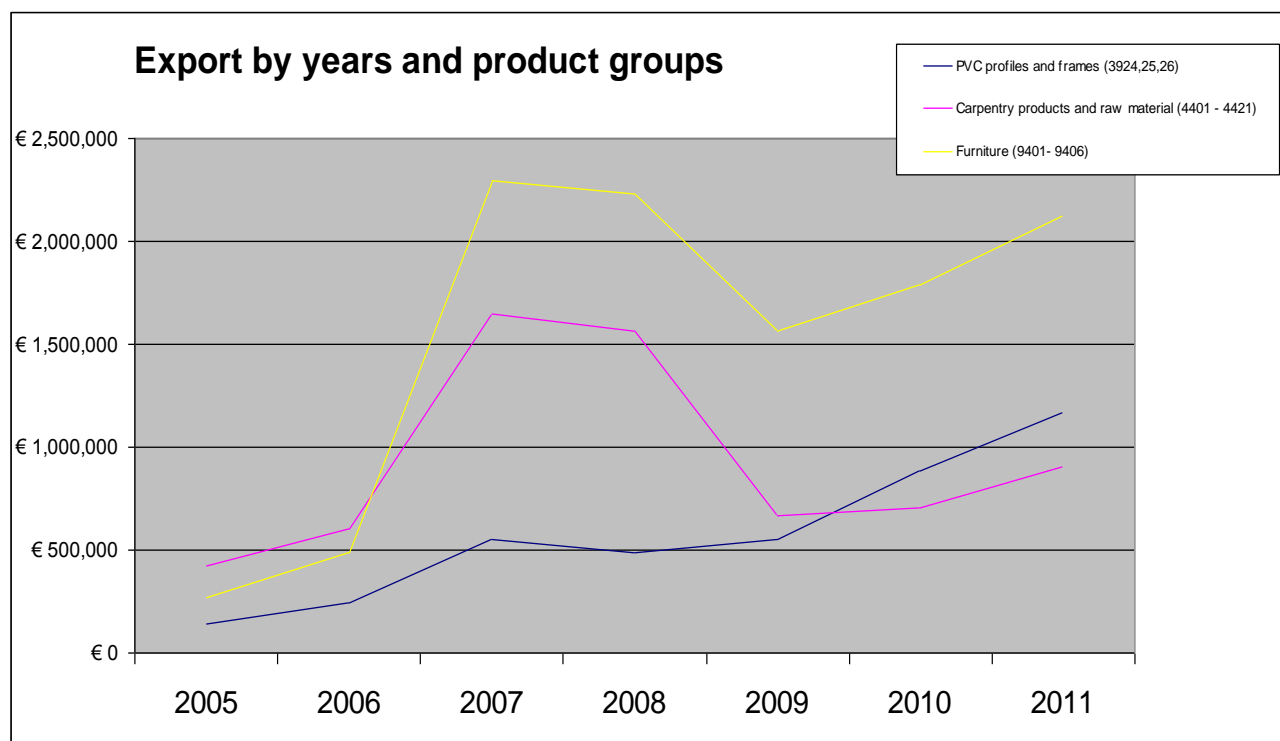


Divani and Deco exhibit at the fair



Overall view of the fair.

Overall, Kosovo Customs data show a renewed increase in furniture exports, after slumping in the global recession.

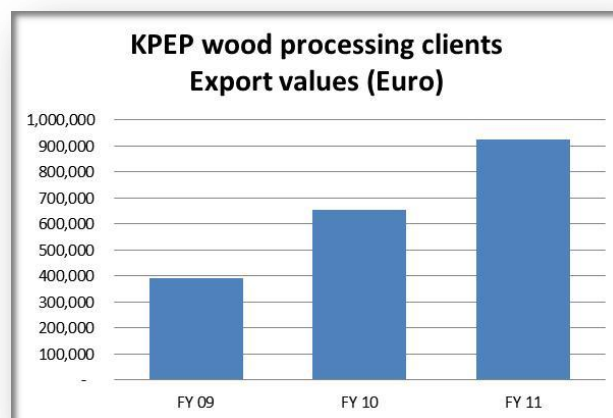
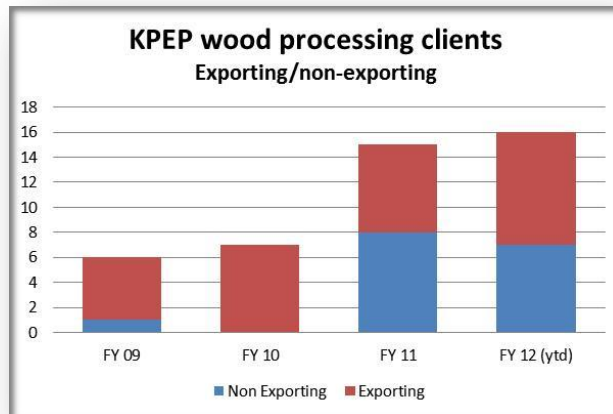


Some observations on the data:

Exports commenced in 2005-06. In 2007-08, Kosovawood's entry in the German market accounted for most of Kosovo's exports. By 2009, the European furniture market had slumped - in Germany, for example, sales declined 20% between 2008 and 2009. By 2010-11, Kosovo furniture producers had put a new strategy in place, with a focus on exports to regional markets, thanks in part to the Wood Industry Promotional Program, implemented by AWPk and supported by USAID KPEP. The sector is now greatly diversified, in terms of both supply and demand, resulting in stronger and more sustainable growth.

Moving forward, AWPk will continue to be engaged in promotional activities, including exhibiting at the Tirana, Albania furniture fair, as well as organizing the traditional Natyra fair in Pristina. AWPk also will remain engaged in implementing the internship program and the furniture design competition.

KPEP's support of furniture manufacturers in developing commercial relationships with regional and international buyers has borne fruit. Lesna for example opened a new furniture showroom in Tirana, Albania. Lesna's kitchen and furniture division moved to establish a permanent presence in Albania after exhibiting at Tirana's Albrelex furniture fair, held in September 2011. KPEP supported this activity, which AWPk then successfully implemented.



KPEP wood processing clients FY09 – FY12

Over the project to date, the number of firms supported has increased as evidenced in the figure above but critically, the number of firms involved in exports has likewise increased. The export value of KPEP wood processing clients has risen steadily as a result of continuous exposure to international market trends. This has continued to drive innovation, product quality and competitiveness and as a result, total sales. Although annual export sales as a proportion of total sales have remained relatively constant at about 15% of total sales, the principal of export exposure driving innovation and quality remains valid.



Lesna's "Made in Kosovo" kitchen and furniture showroom in Tirana, Albania

KPEP has continued to promote Kosovo's wood processing industry abroad. KPEP assisted Korenica in attending the Swissbau trade fair, held in Basel, Switzerland. KPEP played a key role in connecting Korenica with the Swiss Import Promotion Programme (SIPPO), in order to link the Kosovo-based company with the Swiss and broader EU markets. Since then, a new market has opened for Korenica to export its engineered wood flooring products. During Q2, Korenica received the first orders from Swiss buyers. SIPPO remains interested in supporting further supporting the promotion of Kosovo's wood-processing industry, specifically by sponsoring three wood-processing companies in attending 2013's Interzoom fair in Cologne, Germany, and the next Swissbau trade fair, in 2014.

Additional Achievements

Thanks to KPEP's support, AWPK has become the recognized voice of the wood industry in Kosovo. KPEP has supported AWPK throughout in establishing contacts with different donor organizations. Based on the AWPK strategic plan, KPEP supported AWPK in presenting proposals to USAID BEEP as well as the Norwegian Embassy' economic growth program.

In addition, KPEP had informed companies about the Kosovo Improvement Through Education (KITE) training programs that help businesses and NGOs upgrade their management and technical capacities.

Activities planned for Q3

- Support AWPK in implementing its annual operational plan, and organizing the traditional "Natyra" fair in Pristina.
- The wood-processing industry's position will be introduced to commercial banks in an effort to improve the financial sector's appreciation of the changes in the industry and of the opportunities to help grow the sector. This will include a presentation of the potential of the biomass sector.
- Internship and furniture design program will be implemented.

Wood Processing Industry

Objective 2: Improving productivity

Benchmarks

- **At least two firms produce products that meet EN or other internationally recognized standards (achieved)**

Furniture components produced by Tefik Çanga Design (TCD) now comply with EN standards. Italian buyers conducted necessary tests and now have the approval to import TCD products. Children's beds produced by Elnor also comply with DIN (German) standards. The German importer Relita conducted the necessary tests and now has approval to import Elnor products.

- **At least two biomass producing firms increase production capacity (planned for future period)**

Feroda has restructured its manufacturing layout. The firm installed a new sawdust dryer and sawdust collection system. The new system has increased efficiency, allowing for an increase of 50% in its production capacity.

Additional Achievements

KPEP continues to support growing manufacturing capacity, improving product quality and increasing efficiency, all in support of increasing the overall competitiveness of the industry. To this end, the industry requires investments in equipment and in the overall manufacturing process. KPEP has supported the Ahikos Company in determining its equipment investment strategy. Through various leveraging activities, KPEP supported the chair manufacturer Euromodel in gaining support from the TAM/BAS project, providing it with an STTA to assist it in improving efficiency and its manufacturing processes.

KPEP has continued to support a wide number of wood processors from around Kosovo by informing them about new opportunities, including the CDF's next-wave grant scheme for SME support, financed by World Bank. KPEP has worked in detail with several companies interested in increasing their usage of biomass.

Initiated by KPEP, a machinery supplier has organized regular trainings on using CNC working stations, not only for its existing customers but for other interested parties as well. The two-day training will be held monthly for six months. This free service is clearly designed to stimulate interest in the firm's offerings but also reflects the now emergent significance of the sector to equipment suppliers.

Activities Planned for the Next Quarter

Work with Lean, a new biomass client, on setting up its pellet manufacturing plant and once installed will ensure that KPEP meets its biomass deadline.

Construction: Road

Objective 1

Improving productivity

Benchmarks

- **A second round of road design certification is made available for new Kosovo engineers and offered to (In process: The activity is organized by KPEP and the Dean to take place from April 17 to April 21 at the Faculty of Civil Engineering and Architecture)**
- **At least 20 road infrastructure – master’s students (new accredited curriculum at the University of Prishtina).**
- **At least five technical government staff (MI).**
- **At least 10 post-graduate students from the faculty of civil engineering.**

This year, USAID KPEP is supporting the University of Pristina’s faculty of civil engineering once again, through a course on road design geometry. An expert from the Texas Transportation Institute (TTI) will deliver the course. The module satisfies the support request made by the dean of the faculty of civil engineering in order for the university to be able to offer all the required courses needed to create a master’s degree in road infrastructure. The dean believes once this course is complete, he will have the necessary capacity to offer, on an ongoing basis, the coursework needed to obtain a master’s degree in road design. The TTI lecturer was slated during the week of April 16 to give a one-week course on geometric road design for 16 students, the first participants in the newly accredited master’s degree program in road infrastructure. This one-week activity will conclude KPEP’s support to the faculty of civil engineering in developing in the coursework required to improve road design capabilities in Kosovo.

In the future, the University of Pristina and TTI will continue to collaborate, but with lectures delivered not in person but through a teleconferencing system, with limited budget implications.

Activities planned for the next quarter

KPEP concludes its cooperation with the University of Pristina on the road-design course with the lecture series organized to take place during the week of April 16.

Benchmarks

- **Develop a sustainable and operational plan for the welder training center.**
- **At least 20 new welding operators trained and certified.**
- **Local accreditation of training program**
- **(Benchmarks exceeded)**

During Q2, 25 persons received training and gained certification. Of the group, 10 immediately found employment with private sector welding companies. In addition, the center gained local accreditation; it now holds both local and international certification. Additionally, the Norwegian Ministry of Foreign Affairs has expressed interest in increasing the numbers of trained welders the center can produce, given its support of the anticipated expansion of hydroelectric capacity in neighboring Albania. Ongoing discussions should lead to further refinements to the qualifications of the facility's graduates and their applicability to the requirements of the new engineering project.

- **Develop sustainable and operational plan for HEOTC**

Completed during Q1.

- **At least 100 new HEOTC operators trained and certified (in process)**

KPEP had planned to engage the Ministry of Labor and Social Welfare and procure Heavy Equipment Operator Training services from KEK for 70 unemployed and unskilled persons. However, the Ministry has been slow to move on this activity, prolonging its implementation. The Ministry and the Training center are now expected to sign an official agreement early in Q3.

- **At least 70% of unemployed trained persons placed with firms. (The benchmark target figure will be established once the employment status of applicants is known)**
- **Local accreditation of HEOTC training program completed. (The benchmark will be addressed in the third Quarter)**

Construction: Materials

Objective 1

Increasing value

Benchmarks

- **Business plan prepared for the temporary MESP board on how to implement the recently approved Administrative Instruction (achieved)**

The Implementation of the Administrative Instruction for the Professional Licensing of Architects and Engineers, led by the Ministry of Environment and Spatial Planning (MESP)'s temporary board, with the support of KPEP, continued smoothly on course during Q2. The board discussed and clarified the business plan, outlining how to achieve the first licensing cycle. The board took under consideration the advice and input of a UK-based STTA provided by KPEP.

The board also prepared and approved two regulations and application forms for applying for the professional exam and licensing.

The board furthermore considered the formats of the seminars intended for members of the professions and potential examiners, and later set the following dates:

- Seminar for members of the professions: May 23-24, 2012
- Seminar for potential examiners: May 25, 2012

- **Documents finalized establishing the procedures for the examinations (documentary administration and examination tribunals) (achieved)**

The examinations procedure documents were finished during Q2.

- **Documents finalized establishing the principles of the examinations (achieved in Q2)**

The principles of the examinations have been defined. The UK-based STTA advisor provided final guidance on this topic.

The examination process and the licensing of architects and engineers was developed in cooperation with the STTA advisor, who presented the board with samples of documents, which it then reviewed and approved, in order to produce: The examination application; the examination; and the application for licensing.

- **Examinations drafted (planned for future period)**

The STTA advisor, in cooperation with board members, will advise further on finalizing the first examinations during Q3.

- **First licensing cycle for the first group of architects and engineers conducted. (planned for future period)**

To be achieved in most likely during Q4. The temporary MESP board and KPEP have clarified all the action steps required to conduct the first cycle of licensing. The board remains fully committed to concluding this process, regardless of KPEP support, as the project closes out.

- **Chambers of Architects and Engineers formed (planned for future period)**

To be achieved in a subsequent phase, after the board has licensed at least 100 architects as well as 150 engineers in the construction field.

- **Study report on outsourcing opportunities for architectural and engineering companies. (in process)**

KPEP's construction specialist has gathered further data needed to prepare an overview report on outsourcing opportunities and challenges to link architectural and engineering companies based in developed countries with architectural and engineering companies in Kosovo. Research remains ongoing, with KPEP having interviewed the owners of seven architectural and engineering companies.

Additional Achievements

Technical assistance for production processes and product quality improvements provided to targeted firms.

KPEP advised Inox IMN, a stainless steel company, on ways to improve product quality and on how to prepare to compete in the market.

Completion of product certification requirements initiated with the targeted firms (in process)

KPEP supported the Ferplast pipe company, based in Ferizaj/Urosevac, in receiving all required product certification requirements as prepared by an Austrian standards company. Since the company's offer proved too expensive, Ferplast sought and received a second, cheaper offer from a Bulgarian standards institute. Ferplast should decide by May 1 whether to seek certification from the Bulgarian institute. Note that the firm's existing production processes enabled it to receive qualified certification by the Bulgarian authority. The one-year certification requires the firm to initiate its internal laboratory processes.

Assistance on technical data preparation provided to the targeted firms (in process)

KPEP has advised Inox IMN and other clients on how to improve the technical data related to their products. KPEP has also successfully encouraged them to invest in marketing in order to better compete in the market. One client, Rizam, is expected to launch its first website.

Brickos is assisted in launching the new line (*partially met*)

The Brickos brick producer is working to finalize its investment in a new production line by the end of Q3. The firm has purchased, with KPEP assistance, and received two sets of programming equipment required for the new production line. The new line will enable Brickos to double production, increase sales by 1,000,000 Euros and create 25 new permanent jobs.

Vinex is assisted in launching new products (*achieved in Q1*)

The Vinex Co. has established its new guardrail production line, completed on a cost-share basis with KPEP.

**Rizam is assisted in establishing and operating a new quality control laboratory
(achieved)**

KPEP assisted the Rizam company a clay bricks manufacturer, based in Mamushe/Mamusha, a village outside Krushe e Vogles/Mali Krusha, in establishing its new quality control laboratory.(Achieved).

KPEP financed the most essential instruments required for the lab. Deputy Minister of Trade and Industry Cuneyd Ustalo, Kosovo Chamber of Commerce regional president Nexhmedin Asllani and the KEK regional representative all attended the opening, which garnered widespread media coverage.

KPEP's assistance in establishing the lab should further enable Rizam to meet the standards required for product certification.



The inauguration of the new lab at the Rizam clay bricks manufacturer in Krushe e Vogel, January 31, 2012.

Kosovo Chamber of Commerce launches redesigned web site designed to reach the Serbian-speaking market

Activities planned for Q3

- The new Kosovo Chamber of Kosovo (KCC) website, which included a new format and a new Serbian-language section, all produced with KPEP support, was scheduled to debut April 6 during a public event. The event was to include a round table with minority-owned businesses.
- Brickos is assisted in launching its new line. ***(Partially achieved)***
- Finalizing the outsourcing opportunities and challenges report for architectural and engineering firms in Kosovo. ***(In process)***

Objective 2

Increasing diversity

Benchmarks

- **At least two firms participate in one regional/international product fair (Achieved in Q2)**

KPEP cooperated with IPAK in sending a Kosovo delegation to MADE, the major architecture, building materials and construction trade fair held Oct. 5-8 in Milan, Italy. The delegation included representatives from the following six Kosovo-based construction materials and architectural-engineering firms: Brickos, Inox, GM Architecture, Gacaferi, MADEN and IPN. KPEP assistance to the firms targeted their finding potential business partners as well as their learning more about the latest products and services offered by the construction industry, including those that they could produce domestically. Attendance led to multiple meetings with a variety of international companies to discuss possible business opportunities.

- **At least one firm introduces a new product line into the import substitution market. (Achieved in Q2)**

Vinex launched guardrail sales, selling 500 linear meters of its (yet-uncertified) product to Bejta Commerce, a road construction company.

Challenges

Once Vinex can certify its guardrails according to the standard EN 1317 1:2010 (E), it will be able to substantially substitute imports of this product. (KPEP estimates an import substitution rate of 50% to 70%.)

With the increased sales of other Vinex products, the firm should be able to invest in gaining certification for its guardrails. The cost of certification is estimated to be 51,000 Euros. This challenge presented by the cost of obtaining certification exists industry wide, as firms gear up to produce increasing volumes of high-quality products.

Objective 3

Improving productivity

Benchmarks

- **At least 5 manufacturers increase market share for their product range (Achieved)**

KPEP clients (Rizam, Brickos, Ferplast, Ecotech and Vinex) have increased their market share, by improving their product offerings and by increasing their market linkages.

- **5 clients benefiting from KPEP internal consultant resources (Partially achieved)**

KPEP provided such support to paint and plaster company Ecotech. KPEP's construction and PBMS specialist visited the company to receive an update on its present situation, eventually winning it the support of the EBRD's TAM/BAS project. The company's owners have parted ways, dividing its assets; however they have left the firm and its 12 employees in a good position to attract development. The firm's main problem is its lack of staff members capable of dealing with marketing and production issues, despite its potential to substitute an estimated 60% of imports. KPEP connected Ecotech and EBRD TAM/BAS TurnAround Management and Business Advisory Services program in support of solving the firm's marketing and production issues. TAM/BAS has since expressed interest in supporting Ecotech, covering 50% of the project's cost. TAM/BAS will send three consultants to visit and appraise the company's situation and then provide offers to solve its most pressing problems. Ecotech meanwhile will choose the most convenient consultant to provide business support.

KPEP is providing advisory consulting services to Inox, a stainless steel processing company, and to Onyx, a marble and granite processing company. The benchmark will be achieved by the end of Q3.

- **At least €1,000,000 in increased sales amongst assisted firms (Achieved)**

In Q1 and Q2, KPEP construction materials clients increased their sales by an aggregate 1,057,453 Euros.

- **At least 20 new jobs created within assisted firms (Achieved)**

Q1 and Q2, KPEP construction materials clients added an impressive 71 Full Time Equivalents (FTE).

- **At least 2 firms export a product to a new market (Partially achieved)**

This benchmark will be met during Q3. The Ferplast company is already exporting plastic sewage pipes to Albania.

Vinex has the potential to commence exporting product as soon as it gains certification for its guardrails.

- **At least 2 firms develop new products (In process)**

The new Brickos production line will enable it to debut two new clay products. This investment is ongoing. The benchmark will be achieved by the end of Q3.

Information Communication Technology (ICT)

Objective 1

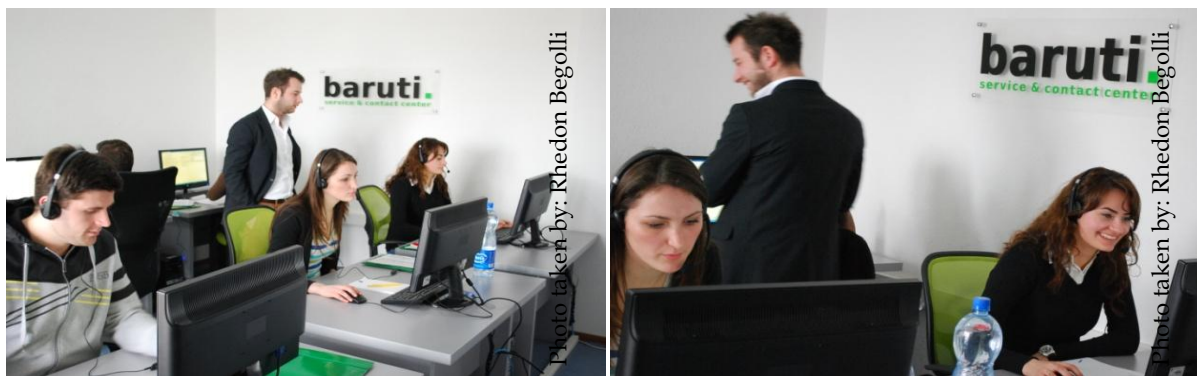
Increasing Value

Benchmarks

- **At least one company invests in Kosovo's BPO sector (achieved)**

KPEP supported Baruti, a Swiss-based service and contact center, in establishing operations in Kosovo. Baruti set up a Pristina office, outfitting it with the proper equipment and furniture, before starting operations on January 23 with an initial staff of 12 locally hired market researchers working on behalf of a German client.

By the end of Q2, Baruti had increased its staff to 16 full-time and three part-time employees. The firm expects to grow further this year, adding more employees as it does.



Newly hired interns working at 'Baruti' contact center

- **At least two Kosovo companies attend the Call Center World trade fair to establish contacts (achieved)**

Two KPEP beneficiaries, Baruti and Adaptivit, attended the Call Center World trade fair, held in Berlin, Germany, where they gained familiarity with the European call center market, especially within German-speaking countries. The trade fair gave them an opportunity to understand the market, identify competitors and potential partners and forge business contacts. Furthermore, the two firms learned about the latest software and hardware that could improve their efficiency. Call Center World also provided an opportunity to gather market intelligence on pricing, target market and market positioning. The two firms have since begun following up with potential partners and gathering further market intelligence.



(Left to right): Muhamet Veliu, CeO 'Baruti' and Mentor Sahiti, CeO 'Adaptivit' attending the Call Center World Trade Fair 2012, in Berlin/ Germany

- **One content product that presents Kosovo outsourcing companies is developed (in process)**

Development of a new web portal that presents Kosovo's outsourcing companies, as well as promotes various business opportunities in the sector, should start in Q3. According to an MoU signed with IPAK, KPEP will cost-share the development of the site, with IPAK covering 50% of the cost.

- **At least two initiatives that promote Kosovo as a near-shore destination to regional BPO companies and one initiative in EU countries (achieved)**

Under the IPAK Memorandum of Understanding, KPEP is working with the agency to create an investment promotion campaign aimed at attracting regional and EU BPO firms. KPEP is expecting that IPAK will execute this campaign in Quarter 3.

In Q1, KPEP developed an email campaign for IPAK that it can use to promote Kosovo as an outsourcing destination to regional BPO firms. Furthermore, KPEP has developed a contact list of regional BPO firms to target during the investment promotion campaign.

In Q2, KPEP and IPAK funded an initiative to promote Kosovo as a near-shore destination at the CeBIT trade show in Hannover, Germany. Kosovo ICT firms exhibiting at the fair did so under a large banner placed by STIKK, Kosovo's ICT association, that read, "Kosovo—Your Outsourcing Destination". Kosovo's Minister of Trade and Industry also visited the fair.



Kosovo Booth at CeBIT Trade Fair

& Minister of Trade and Industry visiting the Kosovo Booth

- **At least two companies receive marketing support for the CeBIT trade show (achieved)**

In December 2011, KPEP held a trade show-marketing workshop for three Kosovo ICT firms (Adaptivit, Dataprognit and Frakton) prior to their attending the CeBIT trade show in Hannover, Germany. This activity formed part of a joint project KPEP conducted with the Swiss Import Promotion Programme (SIPPO) and STIKK. SIPPO and STIKK covered most of the cost associated with the firms' CeBIT participation, including trade show booth costs.

- **At least one company receives investment from a local or foreign investor (in process)**

One KPEP client anticipated receiving an equity investment from a Dutch ICT firm but talks failed after the parties failed to reach an agreement. The Kosovo ICT firm now seeks other interested investors. In Q2, KPEP introduced the company to Innovation Center Kosovo, managed by the Athene Project and funded by the Norwegian government, which has an ongoing matchmaking project with Norwegian firms. KPEP will continue to support the company in identifying a suitable investor.

Additional Achievements

- KPEP secured substantial leveraging from domestic and international partner donors and organizations to implement those activities detailed in KPEP's Y4 workplan. IPAK agreed to commit more than half of the required resources for promoting investments in the BPO activity. The Innovation Center Kosovo supported mobile application (app) development training with equipment worth close to 10,000 Euros.
- Anjali Khosla, an MBA student from Duke University, is in Pristina to work with KPEP's beneficiary Logistics Plus on the firm's marketing strategy. Khosla is engaged on a short term volunteer consulting assignment for Logistics Plus. After spending this week in Pristina, Khosla will return to US, where she will complete the assignment.

Challenges

- Kosovo's international image with foreign investors continues to prove to be an obstacle to attracting foreign direct investment.

Activities Planned for the Next Quarter

- Identify and attract foreign investment in BPO business.
- Promote outsourcing throughout Europe.

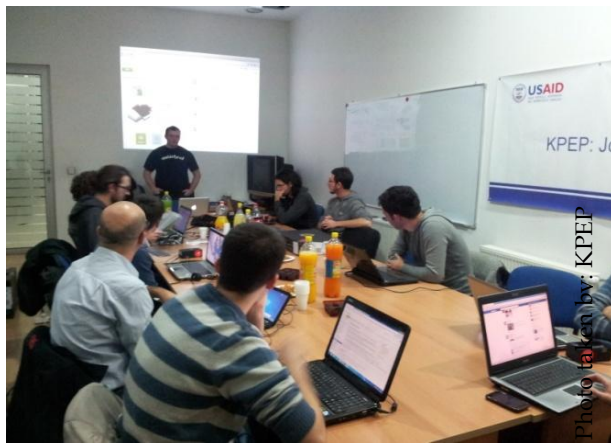
Objective 2

Increasing diversity

Benchmarks

- **At least 15 individuals are trained in new training programs (met)**

KPEP initiated a hands-on training program in cooperation with Sprigs, a Dutch ICT firm with a software development office in Kosovo, and the Norwegian-sponsored Innovation Center Kosovo. The program resulted in 10 young developers completing hands-on training in how to develop mobile apps for Google's Android operating system, the leading platform for the rapidly growing smart phone and tablet markets. Sprigs hired five participants from the training.



Android Training in progress.



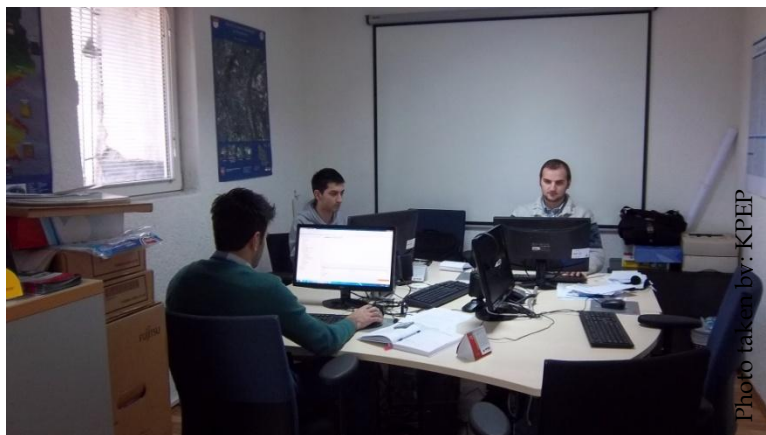
US Embassy Charge de Affairs and Norwegian Ambassador issuing certificates to the Android Training Participants.

KPEP supported Tekfuze, a local ICT firm, in training 17 students who have either completed or are nearing completion of their studies in electrical engineering at universities in Kosovo. The training took place at Genesis Technology Center, a local non-profit that specializes in providing practical, hands-on training in electronics design, manufacturing, embedded systems development and robotics. This training and internship program provided local engineers with practical experience in developing and manufacturing embedded control systems. Tekfuze plans to develop and manufacture products mainly for clients abroad.



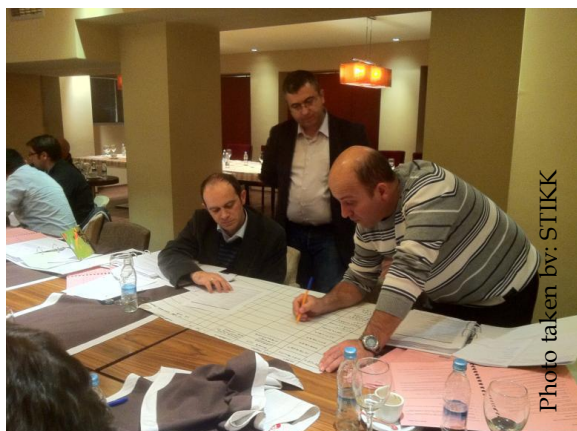
Engineering students at Genesis Technology Training Center

KPEP also supported Adaptivit, another local ICT firm, in implementing an internship and training program for five new hires slated to work on a new project with a Danish partner company. Adaptivit will provide IT support services for the Danish ICT firm, which specializes in GIS-based software products and services. Adaptivit is also in talks with a company in Germany to provide IT support services.



Newly hired interns at 'Adaptivit'

KPEP and STIKK, with the support of the International Finance Corporation (part of the World Bank Group), organized a three-day comprehensive, combined course that provided hands-on training on Information Security Management Systems (ISMS) for the ICT sector. The course provided the participants with the knowledge and skills required for ISMS, as well as taught them the processes involved in establishing, implementing, operating, monitoring, reviewing and improving ISMS, as defined in ISO/IEC. The course provided participants with knowledge in areas such as: the ISO/IEC 27001 standard, concept and guidelines, recognize-the-risk management approach; the interrelationship of ISO/IEC 27001 and other standards such as ISO 27002, ISO 27006, ISO 19011 and ISO/IEC TR 18044; incident management and business continuity management in ISMS; principles of audit management; audit planning, organization and implementation; performing an audit (with a practical workshop); managing non-conformity reports; managing audit reporting and the understanding of competences, roles and certification of auditors.



ISMS Training.



ISMS Certification Ceremony

In Q1, KPEP organized a certification ceremony to mark the independently accredited certification by the International Register of Certificated Auditors (IRCA) of the 15 participants who successfully passed the certification exam.

- **At least one new electronic device product is developed or manufactured in Kosovo (achieved)**

KPEP is supported Tekfuze, a local firm specialized in electronic product development and manufacturing, with a training and internship program for engineering students and graduates. Participants of the training and internship program worked on a redesign of a product for RadioContact Ltd., based in Northern Ireland (www.radcon.com). In Q2, Tekfuze engaged the newly hired engineers in the production of electronic products for a client in Macedonia. In Q3, Tekfuze plans to finalize its first flagship product and present it at the Balkan Venture Forum in Skopje, Macedonia.

- **One new venture begins exporting services to foreign markets (achieved)**

Baruti, the contact and service center, started providing market research services for a German client. To date, Baruti has employed 19 German speakers to conduct market research over the telephone with respondents in Germany. In the meantime, Baruti is in talks with several other research firms about other potential projects.

Tekfuze provided product design services to RadioContact, Ltd., based in Northern Ireland.

Adaptivit began providing IT support services for a Danish ICT firm that specializes in GIS-based software products and services.

Additional Achievements

KPEP supported the establishment of the Innovation Center Kosovo by providing resources for its initial activity, Pristina Startup Weekend, which was used to recruit the first ICT startups to the business incubator. KPEP designated a consultant to serve as mentor for teams working on their business ideas and awarded the three winners of the Pristina Startup Weekend competition with 90 hours of free consulting.

KPEP continues to support three winning ICT startups with business consulting, specifically to develop a business plan and marketing strategy. The three startups are sudo:base, elexo.j and Digital Nomadpack.

Activities Planned for the Next Quarter

- Support new ventures oriented toward exporting services to foreign markets.
- Support new varieties of training programs and certifications that facilitate export of ICT services.

Objective 3

Improving productivity

Benchmarks

- **At least one initiative to improve university curricula (planned for future period)**

No activity this quarter.

- **30 Interns are placed in ICT firms (in process)**

STIKK surveyed its members at the beginning of Q2, using a survey developed with KPEP's assistance to define the common training needs of those members interested in hiring summer interns. The results of the survey will serve to identify the specific training courses that would be helpful in increasing the employability of interns and in filling in the gaps between university curricula and job market needs. In the next quarter (Q3) KPEP will support STIKK to develop a proposal for the KITE (Kosovo Improvement through Education) program to organize a summer school for the interns.

- **At least 30 people are trained in various training and certification programs (met)**

KPEP more than met the benchmark, with 10 individuals receiving training in mobile app development for Android-based smart phones and tablets; 17 people receiving an intensive hands-on training on the development and manufacturing of electronic devices; five people receiving training on product support for a Danish company that specializes in GIS-based software and services; and finally 17 people receiving training on Information Security Management Systems, of whom 15 then received accredited certification by the International Register of Certificated Auditors (IRCA).

Activities Planned for the Next Quarter

- ICT internship.
- Subsidize training and certification programs.

Tourism

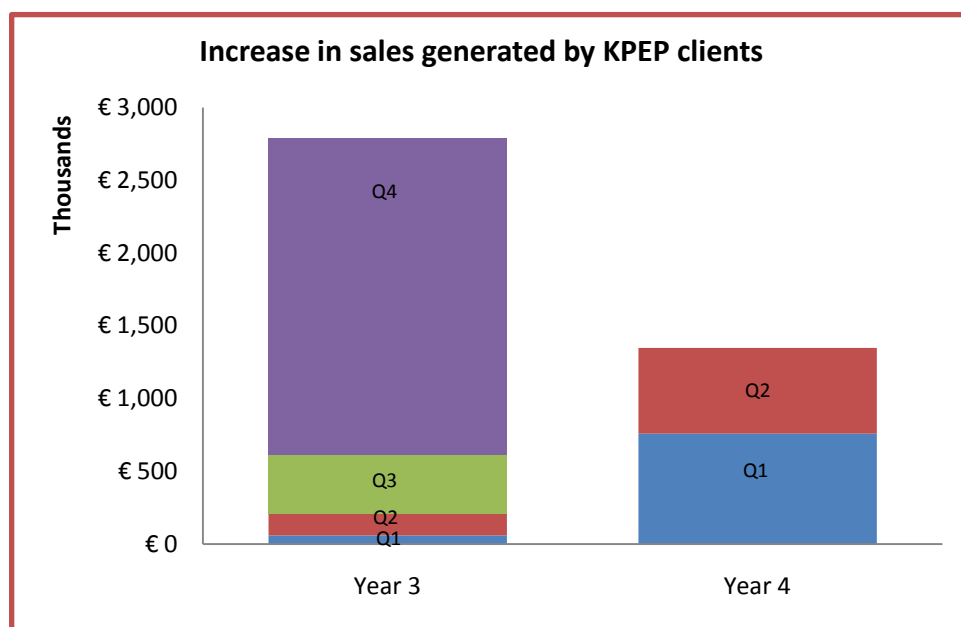
Objective 1

Increasing Diversity

Benchmarks

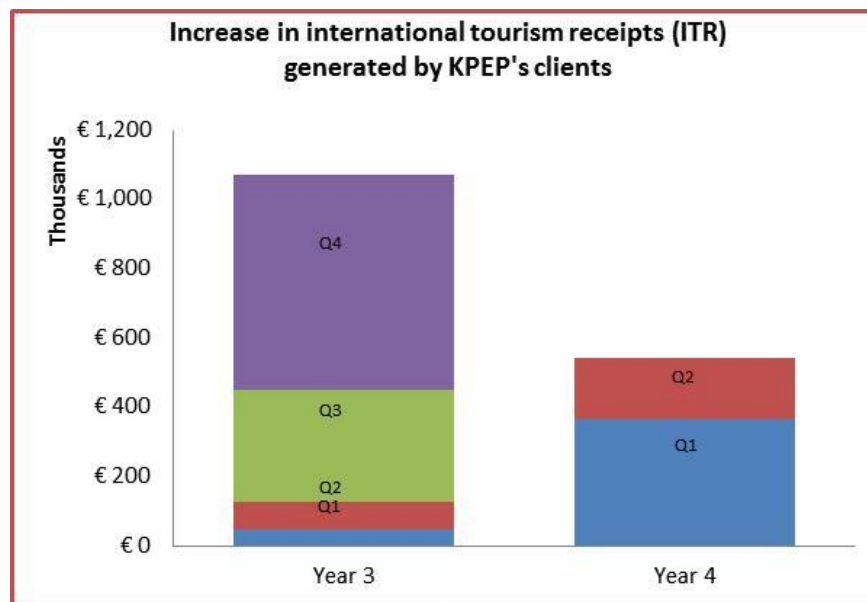
- At least a 300% sales increase generated by KPEP clients (over 2010 performance) (in process)
- At least a 100% increase in international tourism receipts (ITRs)¹ generated by KPEP clients (over 2010 performance) (in process)

KPEP client tourism sales during Q1 and Q2, as measured by local and international receipts, increased by 549% when compared to the same Q1 and Q2 of Y3. The below graphic represents the increase.



International tourism receipts, which made up 40% to 50% of total sales during Q1 and Q2, continued to show marked increases over the same period of Y3. Q1 and Q2 receipts, as measured by KPEP clients, increased 333%. KPEP believes the results realistically reflect the state of the tourism industry as whole - encouraging news, given the efforts made to promote Kosovo as a part of a regional packaged destination.

¹ ITRs represent in economic terms a country's receipts in the form of consumption expenditures or payments for goods and services that foreign visitors make out of foreign currency resources.

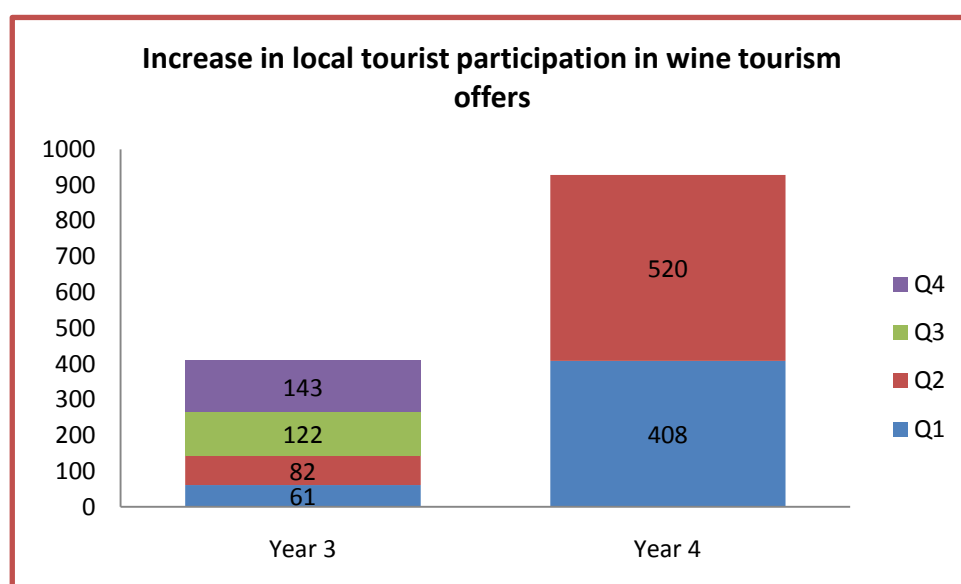
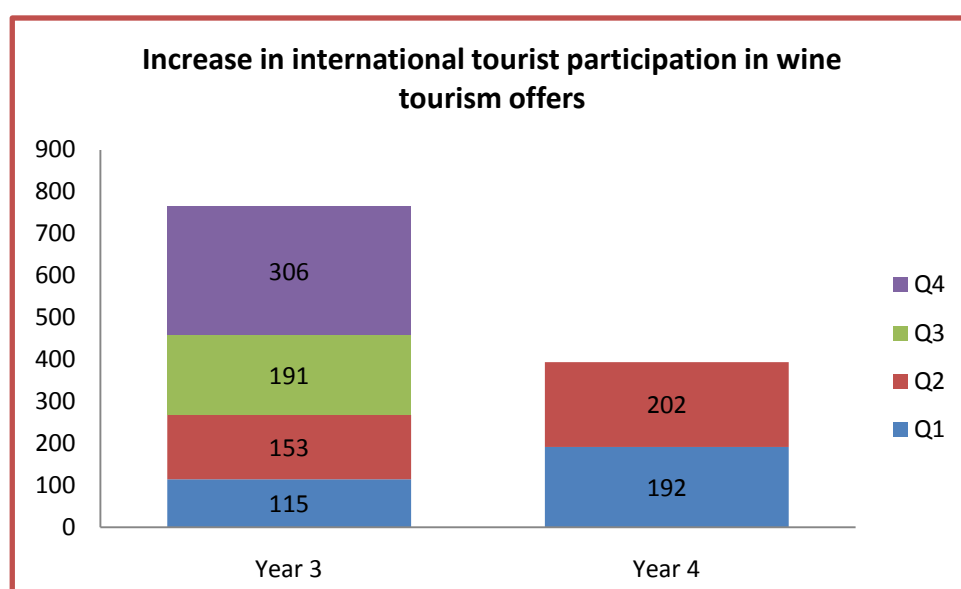


These increases indicate healthy sector growth, spurred on largely by an increasingly active tourism association that continues to see participation in regional fairs as critical to improving the position of Kosovo as a regional tourist destination. In turn, this growth will do much to draw additional investments and commitments to the sector. This increased market profile is reflected in the increased number of regional tour operators that include and actively promote Kosovo among their destinations.

While it is too early to forecast what increase the full year will bring, the trend is certainly positive over Q1 and Q2, both traditionally low-revenue quarters. Increased tourist numbers generated the increases in receipts—notably, international tourist numbers showed a remarkable 500% increase in Q1, when compared to the immediately prior period. Overall, tourist numbers increased 160%, year-to-date, when compared with the same period in Y3.

- **At least a 50% increase in international tourist participation in wine tourism offers (over 2010 performance) (in process)**

KPEP's focus over Q1 and Q2 involved its continuing to seek opportunities to synergize efforts with other donors in order to continue implementing the two-year action plan that stemmed from the Wine Tourism Strategy for the Rahovec/Orahovac region. The return on KPEP's investment in Y3 in building tourism-related infrastructure and facilities, as well the initiatives undertaken independently by the private sector to increase the diversity of tourist offers, led to a 47% increase in international tourist participation in wine tourism offers over Q1 and Q2 in Year 3, and a 549% increase in local tourist participation in wine tourism offers. Granted, these percentage improvements are off a very low base but it remains encouraging to see such returns on the investments in physical and human capital. It is particularly rewarding to see the marked increase in local tourists participating.



These increases in local tourist participation clearly show a response to the public relations and other media-related actions undertaken by various cellars and the wine information center.

KPEP continues to work with the Wine Route South Kosovo project funded by the European Commission Liaison Office (ECLO) in the amount of €297,000. KPEP is supporting the project with advice and linkages, as well as ensuring that signage envisaged by the project remains consistent with the overall regional product.

- **At least a 50% increase in the number of small businesses involved in tourism in the targeted region of Rahovec/Orahovac (over 2010 performance) (in process)**

The tourism awareness campaign, launched by the municipality of Rahovec/Orahovac in Q4 of Y3, with KPEP support, seeks to encourage the local community to launch businesses and other activities specifically linked to the region's potential as a wine destination. While general-awareness campaigns are slower to show their effects, KPEP's investment has already begun producing real results. During Q1 and Q2, entrepreneurs launched 18 new businesses linked to wine tourism. The evolving nature of these new businesses remains of particular interest. Initially, local wine cellars provided the main impetus to new business creation as they diversified into ancillary activities. However, so far during Y4, restaurants, artisanal cheese and handicraft producers have all increased their wine tourism-linked offers. The engagement of these small businesses indicates a trend to a well-established culture of wine tourism and augurs very well for the future.

- **Establish at least 5 new bed and breakfast (B&B) facilities in the Rahovec/Orahovac region.**

KPEP did not initiate a study on Kosovo's B&B potential during Q2 as intended. However, of note, one new B&B offering joined in Q2 the listing of wine tourism-linked offerings. KPEP also has held discussions with the eco-tourism institute of Kosovo in order to leverage support for this organization's working specifically on increasing B&B offerings. It may be possible that KPEP will meet the benchmark during Y4 simply by encouraging integration with the wine tourism developments, along by providing targeted technical assistance.

Additional Achievements

- KPEP continued to support the National Geographic Western Balkans Geotourism Map Guide and respective promotion at various tourism events in order to enhance PR and media coverage. Public launch was slated to occur April 18.
- A private sector meeting, coordinated by RCI and held Feb. 2-3, brought together in Pristina regional tour operators to create a Regional Tourism Business Network and to begin developing regional tours/routes. Of note was the enthusiastic participation of the Serbian representatives at the event.
- Wine tourism trainings, implemented by IP Center Austria, have begun with module one funded by the municipality of Rahovec/Orahovac. Twenty-five implementers are participating in these important events.

Challenges

As part of KPEP's overall leveraging strategy, the project has anticipated the German Organization for Technical Cooperation (GIZ) would commit to engaging international consultant expertise in supporting the development of wine tourism-related products, as well as a wine tourism brochure that KPEP could help produce on a cost-share basis with the private sector and/or other donors. However, GIZ has experienced delays in engaging the international

expertise, affecting in turn the forward agenda on wine tourism development, including those initiatives led by KPEP and the public and private sectors. For this reason, KPEP continues to seek alternative solutions within the ECLO Wine Route South Kosovo project.

During Q2, the issue of proper place names arose regarding the National Geographic Western Balkans web site. The map did not represent place names appropriately, and KPEP spent much time negotiating with Kosovo's Cadastral Agency to secure appropriate digital map data. National Geographic Cartographers are not allowed to use their discretion in place naming and must use national mapping data—something, in the case of Kosovo, available only from its Cadastral Agency. This has been resolved and the final map will be completed during Q3.

Activities Planned for the Next Quarter

- Continue to support KATA in finalizing the work ahead of the Western Balkans Tourism Fair to be held in May in Tirana, Albania, on a cost-share basis with companies and in cooperation with the Ministry of Trade and Industry. This will be implemented in Q3.
- Reassess the need for and assign, if found necessary, a local consultant to develop a study on "Development Planning of Rural Tourism and B&B Network in West and South Kosovo."
- KPEP will continue to seek leveraging opportunities to assign a local consultant to map wine routes in the Rahovec/Orahovac region. This assignment will generate materials useful for the design, production and placement of signposting on a leveraged basis with the ECLO-funded Wine Route South Kosovo project.
- Complete the planning for and arrange the attendance required for the successful National Geographic launch in Washington, D.C. in June.

Recycling

Objective 1

Increasing Diversity

Benchmarks

- **At least three companies involved in the Going Blue initiative in Rahovec/Orahovac (in process)**

The Municipality of Rahovec/Orahovac initiated the first ever municipal-supported recycling initiative during Q2. Participation and enthusiasm continues to grow, and this, combined with a more robust tourism offering, should encourage further participation. It is anticipated that this benchmark will be exceeded by the end of Y4.

- **Grinteh expands its PET collection by at least 25% (in process)**

The Grinteh Company began collecting PET in Q2 of Y3, assisted by a KPEP grant. It remains early to draw any conclusions about its performance on a year-to-year basis. Grinteh however continues to expand its PET collection and initial reports suggest it will increase overall collections by at least 50% during Y4.

Activities Planned for Next Quarter

Follow up PET collection impact by generating appropriate success stories around collectors and the collection points established with KPEP support.

Component 2: Business Support Services (BSS)

Objective 1:

Improving productivity

Benchmarks

- **At least two position papers to be developed by sector specific associations (achieved)**
- **At least one workshop regarding advocacy and association lobbying (achieved)**

KPEP BSS held an advocacy and association-lobbying workshop on Feb. 22, 2012, in collaboration with the project's Business Enabling Environment component. KPEP has also prepared two position papers and distributed them among the 10 association members who participated in the workshop.

- **Integrate Business Consultants' Association in ADI index (planned for future period)**
- **At least one new member service to be provided (planned for future period)**

The two above mentioned benchmarks will be implemented in Q3 when the ADI assessment takes place.

- **Apply for ICMCI internationally recognized standards (planned for future period)**

This activity is planned to be conducted during Q3.

- **All Association clients receive Year 4 ADI assessment reports (planned for future period)**
- **Progress against the Year 3 on the following Sector specific associations:**
 - STIKK Association from 3.1 to 4
 - AWPK Association from 3.5 to 4
 - KATA Association from 1.5 to 2.5

All of the above mentioned benchmarks will be implemented in Q3 when the ADI assessment takes place.

Component 3: Business Enabling Environment (BEE)

Objective 1

Monitor BEE and Kosovo legislation for relevant issues. Coordinate with donors (ongoing)

Benchmarks

- **At least one new legislative intervention in support of KPEP sectors investigated. (planned for future period)**

During Q1, the Government of Kosovo (GoK) began the process to amend the Law on Tourism. GoK then sent the amendments to all parties interested in tourism, including KPEP.

KPEP BEE provided written comments and suggestions (through the American Chamber of Commerce in Kosovo, or AmCham), and the KPEP tourism specialist participated in the GoK's working group on the law.

During Q2, the GoK adopted the amendments on the Law on Tourism and sent them to the Assembly working commission. However, the commission did not approve the proposed changes, and returned them to the GoK, specifically to the Ministry of Trade and Industry (MTI), which is in charge of tourism.

Challenges

The unification of the suggestions and comments on the Law on Tourism remains a challenge for the working group. The MTI needs to compile a more qualitative draft of the law and present it to the Assembly commission.

Activities Planned for Next Quarter

- KPEP BEE will continue to monitor the process of amending the Law on Tourism.
- KPEP BEE will also continue to support legislation relevant to the project's overall objectives, and will intervene and investigate all legislation deemed important for KPEP clients.
- **Draft at least two new standard form contracts for agriculture. (planned for future period)**

During Year 3, KPEP BEE, in cooperation with USAID SEAD, undertook the task of drafting standard form contracts for agriculture. The standard form contracts cover sales, transportation and brokerage. KPEP BEE completed all three contracts, and sent them to SEAD for publication. KPEP BEE also wrote the commentaries and the user guides for each contract to ease their use by anyone without a legal background. SEAD plans to officially launch the published standard form contracts in Q3.

Challenges

Since the contracts were written according to the draft Law on Obligations, the challenge remains that they will not take effect until the draft legislation actually becomes law.

Activities Planned for Next Quarter

After the publication of the standard form contracts, KPEP will distribute them to clients involved in agriculture.

- **Where appropriate, participate in the American Chamber of Commerce in Kosovo (AmCham) Competitiveness Committee. (planned for future period)**

KPEP has cooperated with AmCham since project inception. It continued to cooperate during Q2, actively participating in a variety of activities, as described below. KPEP's working with AmCham helps the project raise issues to the highest levels within the GoK and donor community. AmCham meets regularly with GoK ministers, providing exposure for businesses and raising awareness about important strategic issues, such as improving the environment for Business Process Outsourcing (as detailed in the Investment Promotion Agency of Kosovo's strategic focus). Tapping the network of contacts shared by the AmCham board and its members also allows KPEP to act expeditiously.

During Q2, KPEP facilitated and participated in the regular AmCham Competitiveness Committee meeting, held at the project office. Participants were: KPEP, SEAD, BEEP, Crimson Capital and AmCham. The main topic discussed during the most recent meeting was the GoK legislative agenda for 2012. The participants discussed the proposed pieces of legislation and identified the areas where AmCham should be involved during the legislative process.

Challenges

There are no challenges in cooperating with other participating projects. However, the issues they discuss remain a challenge—the projects must work together in tackling them.

Activities Planned for Next Quarter

Continue the mutual effort undertaken by committee members to assist economic development.

Additional Achievements with AmCham

During Q2, KPEP attended the General Assembly of the American Chamber of Commerce in Kosovo for 2012. During the event, AmCham members elected its new Board of Governors. The ratio of board members is now skewed 10-1 in favor of men. Even though multiple female candidates ran for election, members chose only one. This raised some concerns amongst those present at the General Assembly; the new Board of Governors later committed itself to changing its statute in order to increase the representation of women on the board.

During Q2, KPEP also attended the Corporate Social Responsibility Network organized by CSR Kosovo and AmCham. The goal of CSR Kosovo is the establishment and design of a focused course of action based on best-practice methods, as well as making CSR principles a living culture within organizations, businesses and corporations. CSR also intends to disseminate best practices to the stakeholders along the value chain in Kosovo. The topics discussed at the workshop are: embedding CSR in business strategy and practices; mainstreaming CSR in businesses sphere of influence; establishment (or adoption) of measurable targets and objectives in a three- to five-year action plan; etc.

Challenges

No challenges identified in regards to the activities themselves.

Activities Planned for Next Quarter

KPEP BEE will continue to attend similar activities based on the need of KPEP sectors and upon USAID request.

- **Legal advice to KPEP sectors - BEE to provide advice on sector-specific needs, such as contracts, MoU's, legal analysis, etc. (planned for future period)**

Agriculture - Fruits and Vegetables

KPEP's fruit and vegetable specialist requested BEE's assistance in reviewing a draft contract prepared by Israeli firms for provision of greenhouse packages for Kosovo farmers. To that end, BEE met with CDF and Raiffeisen Bank representatives to discuss and agree upon those contract terms that required change or revision. After the two parties agreed the final draft, the Gjakova 1 farmers' cooperative signed the contract for 12 greenhouses.

Business Support Services

BEE and BSS in cooperation with STIKK and AmCham organized an advocacy strategy presentation for business associations. The BEE specialist held a presentation on the legislative roadmap and intervention points, while STIKK and AmCham presented their practical experience in using position papers and lobbying.

ICT

During Q2, KPEP BEE reviewed the draft MOU regarding the investment and export promotion of Business Process Outsourcing (BPO) in Kosovo. The MOU was signed by the Investment Promotion Agency of Kosovo (IPAK) and KPEP. The purpose of this MoU is to facilitate the implementation of joint projects that aim to promote foreign investments in the Kosovo BPO sector and support BPO firms in Kosovo with their business development efforts targeting the European Union market.

Challenges

- No challenges identified with regards to cooperation.

Activities Planned for Next Quarter

- KPEP BEE will continue to provide its support when relevant on any issues that KPEP sectors have.

Additional Achievements with Donor Coordination

KPEP BEE continued its cooperation with other donor projects, both European and U.S. Besides the meetings during Q1, KPEP facilitated and participated in three additional project coordination meetings during Q2. Programs participating in these meetings were: USAID KPEP, USAID BEEP, USAID YEP, EU SME, CBC, DFID-PSDP 2, EU RED, GiZ, EU Trade Project, ADA and the World Bank.

Representatives used the meetings to discuss and present various topics of mutual interest, as well as opportunities for potential cooperation among projects. Topics included: small business days, legislation, doing business, inspection authorities, Law on Licenses and Permits; progress

on the implementation plan for the SME strategy; concept for private sector development conference – UKAID PSD, the merger of IPAK and SMESA. The donor coordination group has received praise for being the first to show concrete results in fostering cooperation among donor projects. KPEP will continue facilitating and participating in project coordination meetings.

Cooperation with EU SME

Besides the participation at the “Small Business Days” organized by EU SME and SME Agency where three KPEP clients—Tefik Canga, Pestova and Euro Food—won regional awards for best business.

During Q2, KPEP continued to cooperate with EU SME. EU SME’s expert on access to finance met with KPEP to discuss the position, opinion and complaints of small and medium enterprises regarding the access to finance. KPEP shared the position of its clients and their concerns regarding access to finance.

KPEP also attended an information meeting where SME Support Agency and EU SME presented the results of their mutual and cooperative work.

Cooperation with USAID BEEP

USAID BEEP has worked with the GoK on undertaking various policy changes, mainly as relates to trade barriers and easing the business environment. As KPEP works closely with businesses, and remains in close contact with its clients, the project and BEEP have discussed cooperating on drafting a questionnaire for businesses to gauge their awareness of recent policy changes. The questionnaire has a double function: (1) It will inform businesses about the procedural changes at both the municipal and central administrative levels; and (2) It will provide results on governmental transparency. BEEP provided KPEP with the full list of policy reforms/removals it undertook, and KPEP then prepared the questionnaire reflecting these changes. The questionnaire was translated into Albanian and Serbian for distribution to KPEP clients early in Q2. Several KPEP clients have responded to the questionnaire; however, the number remains too small to produce valid results. The activity will continue in Q3.

Cooperation with DFID – PSDP 2

Considering KPEP’s heavy engagement with the various associations, during Q2 KPEP met with the DFID PSD 2 project to discuss potential cooperation. PSD 2 has completed a training needs analysis for business associations and is looking for donor partners to implement different training programs. KPEP studied the list of proposed trainings, but due to the differences between KPEP’s work plan and PSD2 trainings, there was no continuance of this activity. Nevertheless, KPEP will continue to maintain contacts with PSD2 and if the opportunity arises, cooperate on different activities.

West Balkans Regional Competitiveness Initiative (Completed in Q1)

The SME Agency arranged this roundtable in order to single out one of the 24 identified projects to be implemented by the Organization for Economic Cooperation and Development (OECD), within the scope of the Regional Competitiveness Initiative (RCI). The OECD will provide non-financial assistance, in the form of advice to the GoK on the implementation of a project. The project that received the most support from participants involved revising the political framework for innovation. Different donors present at the roundtable also presented their projects and activities, lest there be any doubling of efforts on the part of the OECD. KPEP was the only USAID project present at the roundtable and presented its own work, as well as that undertaken by other USAID projects.

Challenges

- No particular challenges were identified in the cooperation and coordination with other donor projects.

Activities Planned for Next Quarter

- KPEP BEE will continue to cooperate with other donor projects in all areas deemed important for KPEP sectors.

Component 4: Work Force Development (WFD)

Objective 1:

Improving Productivity

Benchmarks

Activity: Internship program with the Association of Wood Processors (AWPK) (in process)

- **At least 10 students to be placed as interns of carpentry/marketing/design fields.**
- **At least 70% of interns are Full Time Employees (FTE).**

As part of the internship program with the Association of Wood Processors (AWPK), KPEP prepared a Request for Proposal to address these benchmarks during the Q3, and plans to report them in Q4.

Activity: ICT Internship

- **Program will place 30 university students as interns. (in process)**
- **At least 70% of interns are hired as Full Time Employees (FTE).**

STIKK surveyed its members at the beginning of Q2, using a survey developed with KPEP's assistance to define the common training needs of those members interested in hiring summer interns. The results of the survey will serve to identify the specific training courses that would be helpful in increasing the employability of interns and in filling in the gaps between university curricula and job market needs. In the next quarter (Q3) KPEP will support STIKK to develop a proposal for the KITE (Kosovo Improvement through Education) program to organize a summer school for the interns.

Activity: Dairy Processing Internship Program

- **Program will place 10 university students as interns. (unlikely to be achieved)**
- **At least 70% of interns are hired as Full Time Employees (FTE).**

These benchmarks will be implemented during Q3 and Q4, and reported in Q4. So far, KPEP has identified four dairy processing companies that have agreed to hire interns over a period of three months. KPEP will locate several additional companies in order to ensure spots for 10 student interns with the industry.

Activity: Sustainable implementation of Heavy Equipment Operators Training program

- **Develop a sustainable and operational plan for HEOTC. (in process)**
- **At least 100 unemployed HEOTC to be trained and certified.**
- **At least 80% of unemployed and trained persons to be placed in firms. (The benchmark target figure will be established once the employment status of applicants is known)**
- **Local accreditation of training program.**

USAID KPEP assisted the KEK training center in developing a sustainable operational plan. Additionally during Q2, KPEP facilitated and successfully coordinated negotiations between KEK and Ministry of Labor and Social Welfare regarding organization of the heavy equipment operator training for 35 people, with a value of 35,000 Euros. The total committed for the year by the Ministry of Labor and Social Welfare for this project is 100,000 Euros, or enough to train and certify 100 workers.

Activity: Follow up and monitor the implementation of Welders Operators Training Program

- **Develop a sustainable and operational plan for Welders Training center. (in process)**
- **At least 20 Welders Operators to be trained and certified. (achieved)**
- **At least 70% of unemployed trained students to be placed in firms (the benchmark target figure will be established once the employment status of applicants is known).**
- **Local accreditation of Training program. (in process)**

During Q2, 25 workers received training and certification, with 10 then securing employment with private sector welding companies. In addition, the center received local accreditation, following its previously received international certification.

Activity: Follow up and monitor the implementation of the European Foundation Certificate in Banking

- **Local accreditation of training program. (planned for future period)**
- **Train and certify 40 students with internationally recognized diplomas. (planned for future period)**

The above activities are projected to commence early in Q3, and completed in Q4.

Activity: Organize the Financial Industry Internship Program

- **At least 30 university students to be placed in firms. (in process)**
- **At least 70% of interns are hired full-time following graduation. (in process)**

The European Foundation Certificate in Banking (EFCB) course, supported by KPEP, was slated to begin April 1. At least 30 graduates of the course, once certified, should secure internships with local commercial banks, with 70% of them later gaining full-time positions, according to the benchmark.

Activity: Assist selected workforce development institutions to better meet the needs of the

- **Internships with public institutions are replicated and expanded in at least one ministry and with municipalities (dropped)**

Due to strategic changes during Y4, KPEP planned to drop this activity from the Work Plan.

- **Institutionalize with Public and Private Universities (planned for future period)**

This activity is planned to be conducted during Q3.

- **Recruit and place 300 successful interns in 2011/2012.**
- **At least 40% of interns are hired full-time following graduation.**

During Q2, KPEP started implementing its cross-cutting internship program, placing 300 interns in different private-sector companies. KPEP anticipates at a minimum that 40% of the 300 interns will obtain FTE jobs following the three-month program's completion.

Activity: Entrepreneurship program – post-training support

- **At least 50 new jobs are created (planned for future period)**

This benchmark will be addressed in Q3.

- **At least 20% of successful entrepreneurs receive follow-on support. (achieved)**

KPEP during Q2 created a database of 50 of 118 supported entrepreneurs to track the progress of their businesses.

Activity: Conduct Training for Women Business Owners

- **At least 30 businesswomen trained (in process)**
- **At least a 10% increase in sales for businesswomen, compared to Year 3 (in process)**

KPEP anticipates signing an MoU and commencing joint activities with Wominnovation, funded by the Norwegian Ministry of Foreign Affairs. KPEP also plans to conduct research in seven municipalities (Pristina, Mitrovica, Gjakova/Dzakovica, Prizren, Gjilan/Gnjilane, Shterpce/Strpce and Ferizaj/Urosevac) to gauge the interest of businesswomen in participating in startup entrepreneurship training. During Q3, KPEP plans to train and certify 30 female business owners from those municipalities. The five-day training will be tailored to their requests and specific business-development needs.

Activities planned for next quarter

- Identify several other dairy companies capable of hiring additional interns for a three-month period.
- Identify leveraging partners for implementing the internship program in commercial banks.
- Meet with public and private universities in Kosovo to discuss the institutionalization of the internship program.
- Follow up with Community Development Fund regarding entrepreneurship grant winners.
- Make field visits to finalists of the entrepreneurship training for follow-up monitoring.

North Kosovo Activity

** N.B. This section describes an activity not in the original KPEP Task Order. This section describes an activity initiated following funding increases of 750,000 Euros, on Jan. 21, 2011, and \$2.3M on July 25, 2011.*

Background

Unemployment remains the most pressing economic and social issue for the approximately 60,000 people in North Kosovo. The overall unemployment rate stands at approximately 50%, while the youth unemployment rate remains a staggering 80% to 90%, according to ICO estimates. In the past, employment in parallel institutions provided somewhat of a base of well-paying jobs, but this practice is ending. Stipends that accounted for 200% of the standard civil service salary have been lowered to 150%, with further cuts planned. The overall numbers of public and quasi-public sector jobs are being slashed dramatically. Families that once relied on these sources of income are prepared to engage with the private sector, within the institutional framework of the government of Kosovo.

KPEP has been very successful in instituting a short-term employment program in the four municipalities that constitute North Kosovo. The project has completed Phases I and II of the short-term employment program, which offered gainful employment, via NGOs in North Kosovo, to 450 previously unemployed people. Phases I and II generated a total of 28,226 workdays of employment, through Q4 of Year 3. The program has (1) targeted more than 30 specific points on the Ibar River for cleanup; (2) engaged with the population in North Kosovo's four municipalities; and (3) generated a significant amount of interest in work within the population. All program hires pay income taxes and receive mandatory pension contributions. Moreover, the NGOs that KPEP contracted to lead the activity have obtained full tax and business certification in Pristina. This includes obtaining a fiscal number and registering as an employer.

At the same time, KPEP has established a physical presence in North Mitrovica, opening a small point-of-contact office in Bosniak/Boshnjak Mahala. KPEP recruited two business advisors to staff the office on a full-time basis and to provide a focal point for businesses to seek support in the forms of grants and/or technical advice. As a result of this presence, and a determined push to seek out qualified clients who meet KPEP grant requirements, the project has identified 60 businesses, drawn from multiple sectors, as initial potential candidates for business support grants and technical services. Each business generates employment, meeting the requirements for full-time employment for those presently unemployed or in part-time employment. Four of the identified clients have received grants (or remain in the process), under the existing KPEP Strategic Activities Fund (SAF), valued at \$113,000. The project projects these grants should generate an additional 66 full-time jobs, either directly or indirectly, at a per-job cost of \$1,700. That amount is less than 50% of the average job creation cost for KPEP to date.

Businesses have been more than willing to register in accordance with Kosovo law in order to qualify for grant support under KPEP's SAF. The project anticipates that startup businesses wishing to qualify for KPEP grant support will continue to register in the future as well.

Strategy

KPEP's strategy is to take those areas previously cleaned and leveled under the auspices of the short-term employment program and transform them into recreational areas, including small-scale parks and playgrounds. The private sector has expressed an interest in supporting this effort for reasons of corporate social responsibility, as well as for promotional reasons. The project will support existing businesses and startups with grants and technical assistance.

Objective 1:

Short-term employment generation

Benchmarks

Forestry Cleaning

- **Apply forest thinning over approximately 162 hectares of forest area in Leposaviq/Leposavic (planned for future period)**
- **Create short-term jobs for 60 workers (achieved)**

KPEP started a project for the pre-commercial cleaning and thinning of young stands (silviculture treatment) in Northern Kosovo. So far, KPEP has identified the forest area and has tested two experimental plots. The project engaged professionals to evaluate the environmental impact of these operations. The project issued a grant to "M&A Help and Support" Leposaviq/Leposavic to implement silvicultural treatments across 162 hectares in Northern forest areas (20 locations total).

During Q2, M&A Help and Support halted the forest cleaning activity because of heavy snows made work impossible. Work recommenced in late March, with workers thinning another 14 hectares. That brings the total to 142 hectares of forest receiving treatment, out of the 162.46 hectares slated for attention over the life of the project. Furthermore, the program extracted 552 cubic meters of firewood through the end of March, which it then provided to 116 of the poorest village households for use as fuel. Overall, 4,402 workdays have been completed to date.

Forestry Cleaning Project				31.03.2012.															
No.	Municipality	Mgmt. Unit	Compartment no.	Working area (in ha)	Treated area	Extracted wood (m³)	No. of households supplied	Workers employed/per ha			Ethnic structure								
								Supervisors	Chainsaw workers	Workers	Serbs	Other							
1	Leposavic	Janik Belo Brdo	120/a	15.00	15	40	15	30	60	375	465								
2	Leposavic	Janik Belo Brdo	120/b	5.00	5	8	4	10	20	125	155								
3	Leposavic	Janik Belo Brdo	121/a	10.00	10	18	4	20	40	250	310								
4	Leposavic	Janik Belo Brdo	121/b	12.00	12	34	7	24	48	300	311	61							
5	Leposavic	Janik Belo Brdo	122/a	10.00	10	51	8	20	40	250	254	56							
6	Leposavic	Janik Belo Brdo	122/b	3.00	3	18	3	6	12	75	67	26							
7	Leposavic	Janik Belo Brdo	122/c	15.00	15	70	15	30	60	375	385	80							
8	Leposavic	Janik Belo Brdo	139/a	15.00	15	76	14	30	60	375	440	25							
9	Leposavic	Brdjaja Letine	3/a	16.46	12	29	10	24	48	300	372								
10	Leposavic	Brdjaja Letine	11/a	20.00	19	64	14	38	76	475	579	10							
11	Leposavic	Jobro Brdo Lokv	98/a	21.00	21	91	17	42	84	525	618	33							
12	Leposavic	Jobro Brdo Lokv	99/a	20.00	5	53	5	10	20	125	144	11							
Total				162.46	142	552	116	284	568	3550	4100	302							

Short-term Work (Internship) Project

- **At least 30,000 work days generated** (This benchmark is for both activities, the Forestry Cleaning and Internship Program), **(achieved)**
- **At least 100 interns placed (achieved)**
- **At least 30% of interns obtain permanent employment (achieved)**

During Q1 and Q2, KPEP's implementation partner, the Accounting and Finance Association (AFAS), placed 100 interns with 28 different employers across North Kosovo. Interns and firms alike have since expressed their satisfaction with the program; indeed, at least 60 additional

firms have shown interested in taking on interns. The first phase of the internship program has led to 38 interns signing full-time job contracts with their employers.

During Q2, KPEP extended the contract with AFAS to place 60 more interns. AFAS then selected the 60 and started soft-skills training. The 60 should start their three-month internships in Q3.

Short-term work – Greenhouse construction project:

During Q2, KPEP selected DST Product, a greenhouse manufacturer, to build 20 greenhouses for farmers in North Kosovo. Concurrently, KPEP liaison officers began working with community groups to select greenhouse beneficiaries. Selected beneficiaries should receive the first greenhouses during Q3.

Objective 2:

Business development, enhancing employment capacity – grants to businesses

Benchmarks

- **At least 100 additional full-time new jobs created through established businesses (planned)**

This benchmark will be met by the end of the Workplan Year. In Q2, KPEP focused on awarding grants to those businesses best able to create employment.

KPEP selected grantees based on their potential to provide increased permanent employment and then rated them based on their job-creation cost effectiveness. KPEP selected firms based on their responses to the annual program statement for northern Kosovo, which it then modified and reissued on the basis of this activity. Firms initially submitted concept papers, in which they stated basic business assumptions (with assistance from KPEP field advisors). The project then asked those firms that had received the approval of the SAF committee to submit a full grant application that specified totals costs, business assumptions and labor increase, which the committee again reviewed.

KPEP awarded three grants to businesses in Q2. They included 8,000 Euros awarded to Fast Trade, 15,000 to Monter – B, and 69,292 to the Association for Finance & Accounting Services (AFAS). See the below table for details of the new grants.

Type of awards	Enterprises level	Sector Component	Municipality	Awardees	Amount Approved Euro	Amount Approved U.S. Dollars	Project Short Description
Grant	Microenterprise	Agriculture	Zvecan	Fast Trade	€ 8,000.00	\$ 10,470.00	Production of Furniture and Joinery Services
Grant	Microenterprise	Construction	Leposavic	Monter - B	€ 15,000.00	\$ 19,823.00	Metal products manufacturer
Grant	Association	Workforce Development	Four Northern municipalities	AFAS	€ 69,292.00	\$ 90,899.00	Short-term Employment (Internship) Program for 60 people in North Kosovo

Objective 3:

Entrepreneurship program

Benchmarks

- **At least 150 people trained (achieved)**
- **At least 100 business plans received (achieved)**
- **At least 100 startup grants will be disbursed, creating at least 200 new full-time jobs (planned for future period)**

KPEP targeted the Mitrovica, Zubin Potok, Zvecan and Leposavic/Leposaviq municipalities, where there is little or no donor activity related to entrepreneurship training, support and grants. The purpose of the program is to assist promising businesses to (1) acquire professional services or small-scale capital that will increase business revenue; and (2) increase the likelihood that the business will succeed and retain its employees. The maximum funding available for each individual award is \$5,000. The program is designed to encourage individuals in North Kosovo to start their own businesses and pursue self-employment as a career choice.

KPEP contracted the Business Startup Center of Kosovo (BSCK) to develop the entrepreneurship skills necessary for successfully establishing a business in any of the four northern municipalities.

In Q2, BSC provided KPEP a list of 100 intended awardees and began the environmental review and registration processes with the Government of Kosovo.

Women

Throughout Q2, KPEP supported women-owned businesses and women-led business associations. The project remained gender-sensitive in its overall selection of which businesses to support. KPEP supported Kosovo's lead ICT association (the woman-led STIKK) in its offering the Information Security Management Systems Foundation and Internal Auditor Course and the Association of Wood Processors of Kosovo (or AWPK, another woman-led association) in becoming a full member of the European Federation of Furniture Manufacturers (UEA). KPEP also supported Hosa Fresh, a vegetable processing company, to secure employment for 12 women, as well as in ordering a new processing line that should lead to its employing a further 70 workers, most of them women.

During Q2, KPEP remained actively involved in training women. For example of the 50 entrepreneurs to receive post-training support, seven were women.

During Q2, KPEP, in cooperation with the American Chamber of Commerce and the Kosovo Chamber of Commerce, organized a roundtable discussion on the "Challenges of Women in Business." During the discussion, 20 women, from both the executive and entrepreneurial level, presented their experiences, approaches and challenges in doing business in Kosovo. The panelists included USAID Mission Director Maureen Shauket, AmCham Deputy Director Arian Zeka, KCC President Safet Gerxhaliu and KPEP DCOP Maury Wray Bridges. The roundtable included frank discussion of various challenges faced by women regarding access to finance, equality in the workplace, prejudices and legislation. The roundtable was well attended, well received and widely covered in the media.

Microenterprises

KPEP works across value chains, and thus impacts microenterprises at all levels, from production through processing to off-take and marketing. The majority of KPEP direct clients are not microenterprises, but those beneficiaries in turn work with microenterprises, so KPEP is able to indirectly impact hundreds of microenterprises.

USAID qualifies microenterprises as enterprises with an annual turnover of less than €50,000 and that employ fewer than 10 people. The report highlights below, by sector, KPEP support to microenterprises:

In the **Livestock** sector, KPEP works primarily with processors to expand their markets, increase their sales, and increase employment. As dairy processors source almost entirely from microenterprises (producers), KPEP is able to have broad reach to microenterprises, which reach approximately 1600 dairy farmers. During Q2, KPEP has continued to support the transparent raw milk sampling project, begun in Y3. So far, it has improved raw milk quality and built trust between dairy farmers and dairy processors. The sampling and testing system for raw milk has been institutionalized as both a neutral and transparent system. KPEP designed the transparent raw milk sampling project with other stakeholders in the dairy industry, specifically MAFRD, Solidar Suisse and KDPA/KAMP. KPEP and Solidar Suisse cover the salaries of field agents, a coordinator and an assistant, while other stakeholders fund the cost of office supplies and the training of approximately 700 farmers.

The **Fruit and Vegetable** sector also supports processors directly (as well as aggregators). Through these, KPEP is able to reach approximately 300 microenterprises, which are primary producers/farmers. During Q2, the project to furnish Israeli-made greenhouses to 12 farmer/members of the Gjakova-1 cooperative entered the realization phase, after Raiffeisen Bank agreed to provide financing. KPEP worked with Gjakova-1 to organize the planting of seedlings in the 12 greenhouses as soon as they arrive in Kosovo (expected in late April 2012).

The **Non-wood Forest** Product sector, like the fruit and vegetable sector, targets support of aggregators and processors of wild-harvest products. These generally consist of very small microenterprises, including families who derive a significant portion of their annual income from the harvest and sale of these wild products. KPEP, together with USAID YEP, continued to make joint visits to food processors and supermarket chains in Shterpce/Strpce and Dragash/Dragas municipalities to confirm the volume of fresh and frozen raspberries the local market could absorb, with an eye to increasing this quantity, as currently only a very limited quantity of processed raspberries are produced locally. KPEP and YEP also reviewed the applications filed by 50 farmers interested in growing raspberries who have applied for different elements of the Raspberry Micro-business, which is a YEP project. During Q2, KPEP also met with farmers from the Agrovita Cooperative in Rahovec/Orahovac municipality in response to member interest in growing herbs and raspberries, under the umbrella of a YEP project. KPEP also met with the Agro Serra farmers' association. KPEP shared with the association, whose members produce vegetable seedlings and vegetables in greenhouses and outdoors, the possibilities for expanding into organic herb cultivation.

The **Wood Processing** sector channels its focus through the Association of Wood Processors of Kosovo (AWPK). KPEP does provide firm-level support through the association and has among its current clients a number of smaller firms. KPEP informed AWPK members from eligible municipalities (Prishtina, Fushe Kosova, Mitrovica, Vushtrri and Gracanica) of the

possibly of gaining SME support through the CDF, with World Bank funding. KPEP is also supporting firms with their business plans.

The **Forestry** sector impacts small and microenterprises through timber off-take activities. No direct client support is quantifiable, however.

The **ICT** sector works with some encouraging startups. KPEP supports startup beneficiaries in applying for entrepreneurship programs and grants. Three KPEP beneficiaries (Baruti, Sprigs and Tekfuze) have applied for entrepreneurship programs to support their expansion and growth. KPEP supported the establishment of the Innovation Center Kosovo by providing resources for its initial activity, Pristina Startup Weekend, which was used to recruit the first ICT startups to the business incubator. KPEP designated a consultant to serve as mentor for teams working on their business ideas and awarded the three winners of the Pristina Startup Weekend competition with 90 hours of free consulting. KPEP continues to support three winning ICT startups with business consulting, specifically to develop a business plan and marketing strategy. The three startups are 1) sudo:base, 2) elexoj and 3) Digital Nomadpack.

Support to Other Minority-populated Areas

Throughout Q2, KPEP provided support to minorities across Kosovo. KPEP focused the bulk of its support on North Kosovo, where USAID has directed, via KPEP, 750,000 Euros and \$2.3 million in assistance. Though KPEP carries out other, smaller-scale minority-targeted activities in the rest of Kosovo, they still have broad reach and are worthy of mention. In agriculture, KPEP supported minorities in the dairy, fruit and vegetable and non-wood forest product sectors. In addition, KPEP also supports minority communities through its assistance to the tourism sector.

KPEP's database includes 10 direct client enterprises, six agricultural, three forestry and wood processing clients and one construction firm in minority areas. However, KPEP's support reaches many more companies and individuals in minority areas, including through its internship and other programs.

Dairy: During Q2, KPEP continued to support Bylmeti Dairy. Though non-minority owned, its suppliers of raw milk include farmers from minority areas, mainly Gracanica. KPEP helped the Kabi Dairy in Gjilan/Gnjilane win HACCP certification. It too purchases milk from minority farmers, mainly located in Kamenica/Kosovska Kamenica municipality.

Fruit and Vegetable: KPEP has supported a seedling producer, Las Pallmas (in Albanian-majority Lipjan/Lipljan), which employs a Serbian agronomist and workers from the Roma, Ashkali and Egyptian community.

NWFP: KPEP implements most of this sector's activities in minority communities. KPEP, together with USAID YEP, continues to support those food processors and supermarket chains in predominantly minority areas of Shterpce/Strpce and Dragash/Dragas municipalities that include raspberries among the products they handle. KPEP and YEP also reviewed applications by 50 minority farmers seeking to begin growing raspberries under a Raspberry Microenterprise program of YEP.

Tourism: KPEP has provided support to the wine sector in Rahovec Municipality. Throughout the municipality, the actors in wine tourism range from wine producers to accommodation providers to restaurants. In the Serbian-majority Velika Hoca, of the six businesses engaged in tourism activities— four Bed and Breakfasts (B&Bs) and two wineries are Serbian-owned.

Other: KPEP supported the Kosovo Chamber of Commerce (KCC) in redesigning the KCC website to include a Serbian-language section. To launch the new website, KPEP supported the KCC to host a business roundtable to transparently gather concerns from Serbian businesses and local government representatives, Rodoljub Mladenović, Director of Economic Growth, and to acknowledge the broad reach to businesses across Kosovo.

Trade Capacity Building and Facilitation

Throughout Q2, KPEP continued to work on trade capacity building and facilitation.

KPEP, working in close cooperation with other donor projects, also maintained its focus on legislative reforms, export growth and customs policy. In Q1, KPEP addressed the concerns of the Kosovo Dairy Processors Associations (KDPA) regarding the dumping of dairy products from Macedonia. The complaint was addressed to the Ministry of Trade and Industry (MTI). In Q2, KPEP acted on the unlawful request by Macedonian authorities that Kosovo-based exporters present quality certificates. KPEP informed the MTI of this practice; the ministry took up the issue and resolved it shortly thereafter.

After action taken by KPEP and Kosovo Customs in Q1, to address the issue of Slovenian poultry meat being dumped in Kosovo, local producer Konsoni increased its sales by 255,007 Euros between October 2011 and March 2012, when compared to the same period a year earlier.

KPEP continued to be engaged in additional trade capacity building efforts in Q2 in the form of cross-sector work. KPEP continued its support of different Kosovo industries in facilitating exports, both to the region and to the EU, and in encouraging them to more actively participate in regional and international trade shows and forge closer contacts with prospective partners.

Furthermore, KPEP continued to assist in raising the quality of products made by its client firms, as well as in preparing them for export by attaining internationally recognized quality certification. During Q2, KPEP continued to assist clients in obtaining Hazard Analysis Critical Control Points (HACCP) certification. Four food-processing companies (Besiana, Agro Peti, Scardus, and APS) are in the final stages of the certification process. Thanks to KPEP assistance, two dairy plants (Rugova and Kabi) successfully gained HACCP certification.

Forest certification

Throughout Q2, KPEP continued to provide close assistance to the forest certification process in order to increase the competitiveness of Kosovo's wood products. The Standards Development Group's (SDG) application for accreditation of the Forest Stewardship Council standard for Kosovo remains under review at the FSC International Centre Policy and Standard unit. KPEP ensured the unit received additional information during Q1. KPEP now expects a FSC decision by the end of Q3, pending the next PSC meeting. The CoC Guide for FSC certification has been adapted, printed and presented to AWPk's board members. In addition, board members have received updates on the EU Timber Trade Regulation, which will come into force in 2013. The law will prohibit wood processors from placing harvested timber and timber products on the European market without CoC certification. Four wood processing companies (Tefik Canga Design, Elnor, Peja Wood and Korenica) have been identified as potential candidates for FSC CoC certification.

Additionally in Q2, KPEP continued to offer technical support to the Ministry of Agriculture, Forests and Rural Development (MAFRD), Kosovo Forestry Agency (KFA), municipal directorates and local communities in applying FSC requirements in the Ahishte – Kaqanik/Kacanik and Koritnik II – Dragash/Dragas municipal units. The progress on this activity remains pending an FSC decision for accreditation of the Kosovo FSC standard. As a

result of this activity, KFA decided to invest 50,000 Euros in rebuilding 5.8 kilometers of roads in management unit Koritnik II – Dragash/Dragas.

Construction

In Q2, as in Q1, KPEP continued working on trade capacity building in the construction sector. It also assisted producers of construction materials in improving product quality and in obtaining certifications. During Q1, officials began implementing the Administrative Instruction on the professional licensing of architects and engineers. During Q2, how to conduct the first licensing cycle was discussed and clarified in the meetings of the temporary Ministry of Environment and Spatial Planning (MESP) board for the implementation of the Administrative Instruction on the Professional Licensing of Architects and Engineers, as well as the development of the examination process and licensing. During Q1, the KEK training center received local accreditation from the Ministry of Education/Center of Competency. During Q2, KPEP assisted the negotiations between

Additionally during Q2, KPEP facilitated and successfully coordinated negotiations between KEK and Ministry of Labor and Social Welfare regarding organization of the heavy equipment operator training for 35 people, with a value of 35,000 Euros. The total committed for the year by the Ministry of Labor and Social Welfare for this project is 100,000 Euros, or enough to train and certify 100 workers. During Q2, 25 persons received training and gained certification. Of the group, 10 immediately found employment with private sector welding companies.

KPEP signed a Memorandum of Understanding with the Kosovo Chamber of Commerce (KCC), with both parties pledging to cooperate in increasing employment, sales, exports, import substitution and investments in targeted private sector areas. The launch will take place in Q3.

ICT

During Q2, KPEP continued to promote Kosovo's BPO sector to local and international investors. In Q1, KPEP supported Baruti, a Switzerland-based service and contact center, in setting up market research operations in Kosovo. Baruti initially hired 12 market researchers to work for a German client. During Q2, Baruti increased its staff to 16 full-time and three part-time employees. The firm expects further growth this year, leading it to hire more workers.

During Q1, KPEP signed a Memorandum of Understanding with IPAK to jointly implement efforts to promote BPO investment in Kosovo. One of the activities involved sending two Kosovo firms to Call Center World in Berlin, Germany, during Q2. At the fair, Baruti and Adaptivit had the opportunity to familiarize themselves with the European call center market, especially in German-speaking countries. The two firms have since begun following up with potential partners and gathering further market intelligence.

During Q2, KPEP and IPAK funded an initiative to promote Kosovo as a near-shore destination at the CeBIT trade show in Hannover, Germany. Several Kosovo ICT firms exhibited at the fair, under a banner hung by the ICT association STIKK that read, "Kosovo—Your Outsourcing Destination." Kosovo's Minister of Trade and Industry also attended.

KPEP continues to secure substantial leveraging from international and local partner donors and organizations to implement its planned activities. IPAK agreed to commit more than half of the resources needed to promote investments in Business Process Outsourcing. The Innovation Center Kosovo, managed by the Athene Project and funded by the Norwegian government,

supported the mobile application (app) development training of 10 individuals by contributing equipment worth close to 10,000 Euros.

KPEP supported the establishment of the Innovation Center Kosovo by providing resources for its initial activity, Pristina Startup Weekend, used to recruit the first ICT startups to the business incubator. KPEP continues to support three winning ICT startups with business consulting, specifically to develop a business plan and marketing strategy. The three startups are sudo:base, elexoj and Digital Nomadpack.

Dairy Sector

During Q1 and Q2, Konsoni saw a 255,007 Euros increase in poultry meat sales. Furthermore, with KPEP's support, Konsoni signed contracts with two poultry farmers to grow broilers under contract. The contracts should allow Konsoni to meet the increased demand for fresh poultry meat.

During Q2, several KPEP clients (Konsoni, Devolli, Bylmeti, Pestova, Ask Foods and Las Palmas) remained active in the MTI agriculture sub-group within the ministry's Trade Policy Working Group.

During Q2, KPEP assisted the Bylmeti dairy to reach an agreement with Lufra, an Albanian dairy, for the export of peppers filled with cream under the Lufra label. So far, Bylmeti has exported 7,000 kilograms of peppers filled with cream to Albania at a price of 2.30 Euros/kilogram, for a total of 16,100 Euros. Additionally Bylmeti exported 30,000 kilograms of peppers filled with cream to Tirana-based dairy Extra Milk under its own label, for a total of 69,000 Euros.

During Q2, KPEP began preparations for the next dairy promotion campaign. KPEP met with the donor community and MAFRD, ensuring support for the campaign.

KPEP clients remained active in introducing new products to the market during Q2. The Devolli dairy plant has begun producing regular plain yogurt in Tetra Pak packaging, and is planning to start producing fruit yogurts during Q3. The Rugova dairy produced its first batch of seasoned and wine flavored Gouda cheese as well as white cheese with herbs. The cheese is being sold in small quantities in selected restaurants in Pristina, where it has been reportedly well received.

Wood Processing

During Q2, KPEP worked closely with AWPK staff and members on preparing for the Mebel furniture fair in Skopje, Macedonia. During the fair, Elnor, Divani, Deco and Lesna successfully presented their new products, as well as represented the overall wood processing industry, at one of the most important furniture trade fairs in the region. Potential exports resulting from this event could total more than 1,000,000 Euros.

KPEP's support to furniture manufacturers in developing commercial relationships with regional and international buyers led to the Lesna company's opening a new furniture show room in Tirana, Albania.

KPEP introduced 12 beech wood processors to Relita, an importer from Germany interested in

wood products. Children's bedroom sets produced by two beech wood processors, Hilmi Deva and Elnor, gained required compliance with DIN (the German industrial standard). Relita assisted by undertaking the necessary testing. Hilmi Deva has since delivered its first 50 bedroom sets. Additionally, furniture components produced by Tefik Canga Design gained compliance with EN standards. An Italian buyer conducted the necessary tests and now has approval to import TCD products.

During Q2, KPEP successfully represented the Korenica company at the Swissbau trade fair, held in Basel, Switzerland. KPEP played a key role in connecting Korenica with the Swiss Import Promotion Programme (SIPPO) and in helping the Kosovo-based company secure the first orders from Swiss buyers for its engineered wood flooring products. SIPPO is interested in supporting the promotion of Kosovo's wood processing industry in the future as well, by sending three wood-processing companies to 2013's Interzoom fair in Cologne, Germany and to the next Swissbau trade fair, in 2014.

Tourism

During Q2, KPEP client tourism sales as measured by local and international receipts, increased by 549% when compared to the same quarter of Y3.

International tourism receipts (ITR's), which made up 40% to 50% of total sales during Q1 and Q2, continued to show marked increases over the same periods of Y3. Q1 and Q2 receipts, as measured by KPEP clients, increased 333%.

The return on KPEP's investment in Y3 in building tourism-related infrastructure and facilities, as well the initiatives undertaken independently by the private sector to increase the diversity of tourist offers, led to a 47% increase in international tourist participation in wine tourism offers over Q1 and Q2 in Year 3, and a 549% increase in local tourist participation in wine tourism offers in the same period of Year 4.

The tourism awareness campaign, launched by the municipality of Rahovec/Orahovac in Q4 of Y3, with KPEP support, seeks to encourage the local community to launch businesses and other activities specifically linked to the region's potential as a wine destination. While general-awareness campaigns are slower to show their effects, KPEP's investment has already begun producing real results. During Q1 and Q2, entrepreneurs launched 18 new businesses linked to wine tourism.

KPEP continued to support the National Geographic Western Balkans Geotourism Map Guide and respective promotion at various tourism events in order to enhance PR and media coverage. Public launch was slated to occur April 18.

A private sector meeting, coordinated by RCI and held Feb. 2-3, brought together in Pristina regional tour operators to create a Regional Tourism Business Network and to begin developing regional tours/routes. Of note was the enthusiastic participation of the Serbian representatives at the event.

Wine tourism trainings, implemented by IP Center Austria, have begun with module one funded by the municipality of Rahovec/Orahovac. Twenty-five implementers are participating in these important events. Starting date for wine tourism trainings planned for March 19 is postponed due to small number of candidates that applied for the first training module, the tourism related

administration skills. During Q3 the municipality and Tourism Information Center will do an additional advertisement plan to attract interest of candidates.

Non Wood Forest Products

KPEP continued in Q2 to support exporters in this sector, with demand for Kosovo-sourced NWFP increasing. During Q2, four KPEP beneficiaries (APS, Hit Flores, Scardus and Eurofruti) participated in the BioFach fair in Nuremberg, Germany. The companies logged 2 million Euros in sales during the fair, a marked increase. With KPEP's support, APS was contracted at BioFach to grow an additional 15 hectares of cultivated chamomile, marshmallow, oregano and parsley, to be planted this spring. APS already has a further 65 hectares under cultivation.

KPEP assisted its beneficiaries in opening new markets in Germany, Austria, Slovenia, Bulgaria, etc. The Italo-Hungarian company Fratelli contracted Hit Flores to deliver 300 tons of chestnuts next season in October. Hit Flores also sold 22 tons locally through various supermarket chains.

Fruits and Vegetables

The fruit and vegetable sector continued to achieve notable results during Q2. Hosa Fresh remains in process to install a new processing line and related equipment to commence vegetable processing in August 2012. The Rizona vegetable processing company likewise continues to bolster its own processing line. Together, the two companies are on track to invest more than 200,000 Euros, with a concomitant increase in employment.

Earlier, during Q1, KPEP facilitates sales call across the region and throughout Europe, with seven trading/processing companies expected to export more than 10,000 metric tons of fresh vegetables in the upcoming season. During Q1, Abi & Elif confirmed its interest in purchasing 7,000 metric tons of vegetables for processing. To meet this demand, the Perdrini cooperative in Q2 planted seeds to produce seedlings for later transplant across 600 hectares. The plantings should yield 18,000 metric tons of vegetables, satisfying Abi & Elif as well as other customers.

During Q2, KPEP continued its partnership with the YEP project in presenting a cooperative franchising offer from King Mushroom to 130 farmers. Of them, King selected 80 farmers from the Klina area, as well as 50 from North Kosovo, to grow shiitake mushrooms. Each farmer is expected to cultivate 45 square meters of mushrooms.

During Q1, KPEP participated in Anuga, the world's largest food and beverage fair, forging new contacts and new linkages for Kosovo's agribusiness sector in general and project clients in particular. During the fair, KPEP confirmed Natureta, a Slovenian vegetable processing company, seeks to purchase 1,500 to 2,000 metric tons of peppers. However, during Q2, Perdrini refused Natureta's offer due to payment issues.

During Q1, KPEP organized a B2B meeting that drew together 30 client companies and agribusiness stakeholders. The 2012 B2B offer from traders and processors exceeds 15,000 metric tons of fruit and vegetable for processing and fresh export. KPEP also discussed with ETC creating new linkages to source 3,000 metric tons of potatoes, as well as 5,000 metric tons of other fresh vegetables, during the upcoming season.

KPEP will continue to assist with trade-capacity building and facilitation throughout the life of the project. Its assistance will address all issues raised by project clients, expanding on a demand-driven basis. Furthermore, KPEP will continue to cooperate closely with other donor projects and the GoK, as well as establish new cooperative relationships with other projects and relevant institutions. Doing so allows for a unified and unanimous approach in resolving trade-related issues.

Strategic Activities Fund (SAF)

SAF Review Committee: The SAF review committee continued to meet regularly. SAF attracted less applicant interest during Q2: KPEP received five concept papers, compared to the eight it received in the previous quarter. Review of all five concept papers remains in process.

Requests for Proposals: During Q2, KPEP issued one Request for Proposals (RFP) for the wood processing industry internship program. KPEP directly contacted the vendor as a sole-sourced opportunity because the project was follow-on to a previous activity. KPEP is currently reviewing the offer received in response. In addition KPEP received 100 selected start-up applications in response to its “Entrepreneurship Program for North Kosovo” RFP, implemented by BSCK.

Requests for Applications: During Q2, KPEP did not issue any Requests for Applications (RFA) or Requests for Quotations (RFQ).

KPEP awarded five grants, worth a total of 116,092 Euros (\$152,794). The total includes 92,292 Euros (\$121,191) awarded in North Kosovo.

Grants and Subcontracts Awarded		
Type of Award	Approved	% Distribution
Grants	€ 116,092	100%
Subcontracts	€ 0	0%
Total	€ 116,092	100%

During Q2, KPEP awarded grants to organizations in the below project-approved sectors/components.

Distribution of awards by sectors during Q2 of Y4:

Agriculture	€ 16,200	14%
WFD	€ 7,600	6%
Wood Products	€ 8,000	7%
Construction Materials	€ 15,000	13%
CFW	€ 69,292	60%
TOTAL	€ 116,092	100%

Type of awards

KPEP awarded grants to the following organizations:

Grants awarded						Type of ER Checklist		
	Awardees	Short description of the project	Sector	Enterprise level	Total in Euros	Cat. Exclusion	Neg. Determ.	Pos. Determ.
1	Kosovo Dairy Processors Association (KDPA)	Continuation of the Transparent Raw Milk Sampling Project	AS	Microenterprise	€16,200	X		
2	Association for Finance & Accounting Services (AFAS)	Internship for 150 Additional Students	WFD	Microenterprise	€7,600	X		
Grants awarded in North Kosovo								
3	Fast Trade	Production of Furniture and Joinery Services	WP	Microenterprise	€8,000		X	
4	Monter - B	Purchase Hydraulic Presses for Sheet Metal Profiling (Machines for Sheet Metal)	CM	Microenterprise	€15,000		X	
5	Association for Finance & Accounting Services (AFAS)	Short Term Employment for 60 Young Serbs in North Kosovo	CFW	Microenterprise	€69,292	X		
TOTAL					€116, 092			

All of the awards (100%) went to support activities that benefit microenterprises, as shown below:

Distribution of Awards by Type of Enterprise		
Enterprise	Percentage	Total in Euros
Non-microenterprise	0%	€0
Microenterprise	100%	€116,092
Total	100%	€116,092

During Q1, KPEP revised the SAF Manual and submitted it to USAID for approval. The revised SAF Manual includes: Termination and Suspension: With Consent of Grantee, Upon Request of the Grantee, for U.S. National Interest; Termination for Material Failure, Financial Insolvency of Grantee, for Convenience of the Government; and Modifications: Types of Modifications and Arbitration.

ENVIRONMENTAL COMPLIANCE AND MONITORING

Environmental reviewing and monitoring requirements

The Initial Environmental Examination Documents DCN: 2008-KOS-002 and 2001-KOS-033, set out the environmental reviewing, monitoring and reporting tasks for each activity subject to an environmental compliance procedure. During Q2, KPEP prepared two environmental review reports, for “Monter B” and “Etno Selo Zavicaj.” This work included preparation of Site Specific Environment Compliance Plans (SSECP). The SSECPs include the EMMPs that specify the mitigation measures and monitoring indicators for each activity. Also, EMMPs provide the monitoring frequency and monitoring responsibility. In addition KPEP conducted environmental reviews of “Continuation of the Transparent Raw Milk Sampling Project” (KDPA), and “Internship for 150 Additional Students” (AFAS), which, together with 20 other activities from North Kosovo, proceeded under Categorical Exclusion. KPEP did not conduct any PPAs or PERSUAPs during Q2.

Monitoring goal and methodology

KPEP undertook monitoring visits to inspect the implementation of environmental recommendations, as indicated in the EDDs and/or SSECP for each company/organization. KPEP bases each monitoring assessment on potential environmental impacts, mitigation measures and monitoring indicators, as set out in the EMMPs for each activity. The monitoring visits included:

- Visual observation and photographs related to: physical impacts, water use, waste management, use of personal protective equipment (PPE), fire safety measures, ventilation, wastewater collection and discharge, wastewater treatment, fuel used and hazardous materials storage.
- Interviews: KPEP interviews owners or managers related to the progress made on completing: environmental permits, water permits, fire safety permits; plans for meeting commitments for improving technology, reducing emissions, applying for relevant permits, investing in wastewater treatment, etc.

KPEP then prepares and files separate monitoring reports from each monitoring visit for each company/organization visited.

In the Q2 period two activities were monitored

Company / Activity	Main EMMP Indications	Situation
METALAC Restaurant	Training of workers Ventilation Fire safety Food waste	The workers are experienced, adequately trained and certificates attesting such are available. Ventilation is properly installed and functional. Fire extinguishing facility is placed adequately. Oil and other food waste are properly disposed in adequate containers and then collected from farmers, who use it on their farms.
Fast Trade Production of Furniture and Joinery Services	Training of workers PPEs Ventilation Fire safety Raw material (wood) origin	Workers are trained PPE are worn adequately Ventilation is properly functional. Fire extinguishers are visible and placed at easy access places. According to the owner, the raw material (wood panels) are purchased from licensed companies in Pristina and Ferizaj/Urosevac

Performance Based-Management System

1. Summary

During the quarter ending March 31, 2011, KPEP-supported firms achieved significant growth in sales, investment and full-time jobs. The cumulative target increase in sales to date was originally set at 45.2 million Euros, using the target for both Components One and Two. The cumulative Life of Project (LOP) increase in sales is 93.2 million Euros, which means that the project has already exceeded not only the target increase to date, but also the target increase in

Progress to Date Highlights			
	Q2 Y4 Target	Q2 Y4 Actual	Performance Evaluation
Increase in sales, million Euros	45.2	93.2	↑
Increase in investment, million Euros	18.0	31.0	↑
Increase in exports, million Euros	-	27.0	↑
Increase in number of full time jobs	5,036	5,085	↑
Number of enterprises assisted in KPEP database	125	126	↑
Number of business services providers (BSPs)	36	16	↓
Number of people trained	2,6750	6,716	↑

sales for the entire LOP. The main contributors to the increase in sales are the agriculture sector, with 42.0 percent, construction with 23.9 percent, and forestry and wood processing with 20.7 percent, while tourism sector contributed 3.7 percent, the ICT sector 6.9 percent, the BSPs sector contributed 1.6 percent and other sectors 1.2 percent. Cumulative LOP investment growth is 31.0 million Euros, already exceeding the LOP target of 20.0 million Euros. The main contributors to the

increase in investment are companies in the construction sector, with 39.5 percent, agriculture with 38.5 percent, and forestry and wood processing sector with 19.3 percent. Finally, the ICT, tourism and recycling sectors contributed altogether 2.7 percent.

At the sub-sector level, dairy is the main contributor to the increase in investment, with 21.7 percent. The fruits and vegetable sub-sector contributed 20.5 percent, wood processing sub-sector 20.1 percent, road construction sub-sector 19.4 percent, and ICT 6.9 percent. Other sub-sectors altogether contributed 11.4 percent. During Q2 alone, investments increased by 1.9 million Euros across all sectors.

At the sub-sector level, road construction remains the main contributor to the increase in investment, with 20.6 percent. The construction materials sub-sector contributed 18.9 percent, dairy sub-sector 17.2 percent, the wood processing sub-sector 17.9 percent, and fruits and vegetable sub-sector 13.7 percent. During Q2 alone, investments increased by 1.9 million Euros across all sectors.

During Q2, KPEP exceeded the target increase in FTE jobs. The LOP target increase was set at 5,036 FTE jobs. KPEP-assisted companies have added 5,085 full-time equivalent (FTE) jobs since the beginning of the project. The various KPEP sectors and components account for this increase as follows: agriculture sector, with 38.3 percent, the construction sector 13.8 percent, forestry and wood processing 15.7 percent, BSPs 8.6 percent, ICT 5.5 percent, tourism sector 2.9 percent, and recycling 1.1 percent. Other sectors, including textile and the “North Project” contributed 14.2 percent. At the sub-sector level, the fruit and vegetable sub-sector remains the main contributor to the increase in FTE jobs, with 16.2 percent. Meanwhile, the wood-processing sub-sector contributed 14.7 percent, the dairy sub-sector 10.1 percent, BSPs 8.6 percent, non-wood forest products with 8.3 percent and road construction sub-sector 8.2 percent.

During Q2 alone, there was a gain of 476 FTE jobs across all sectors.

Cumulative LOP data for exports show an increase over the baseline of 27.0 million Euros. The exports/imports coverage ratio for KPEP-supported sectors is at 49.9 percent. The Kosovo-wide data show a 13.7 percent exports/imports coverage ratio for CY 2011. The main contributors to the increase in exports at KPEP-supported enterprises are the construction sector, with 40.9 percent, and agriculture with 33.3 percent. At the sub-sector level, road construction is the main contributor to the increase in exports, with 39.0 percent, followed by the fruit and vegetable sub-sector with 24.5 percent and the wood-processing sub-sector with 15.8 percent.

Below is the performance of KPEP sectors and sub-sectors for the LOP on the following key indicators: sales, exports, jobs and investment. Note that sales, export and investment figures are in Euros.

Sector	Sub-sector	Increase in sales	Increase in exports	Increase in FTE	Increase in investment
Agriculture		39,808,744	9,000,361	1,949.79	11,960,152
	Dairy	20,577,587	1,333,291	514.92	5,328,787
	Fruits and vegetables	19,437,766	6,625,448	824.79	4,262,694
	Non-wood forest products	(853,552)	1,040,622	423.43	2,061,571
	Poultry meat processing	646,943	1,000	186.65	307,100
Construction		22,639,968	11,054,322	703.08	12,247,017
	Construction Materials	4,316,342	504,262	286.68	5,850,805
	Road Construction	18,323,626	10,550,060	416.40	6,396,212
ICT		6,518,027	194,160	277.32	356,376
	ICT	6,518,027	194,160	277.32	356,376
Tourism		3,524,369	1,742,869	147.61	441,397
	Tourism	3,524,369	1,742,869	147.61	441,397
Recycling		143,187	120,235	55.31	5,701
	Recycling	143,187	120,235	55.31	5,701
Other		966,907	640,437	720.47	20,000
	Other	966,907	640,437	720.47	20,000
Forestry & Wood Processing		19,549,726	4,281,776	795.93	5,995,063
	Wood Processing	18,942,945	4,280,796	746.99	5,559,530
	Forestry	606,781	980	48.94	435,533
BSPs		1,539,088	-	435.12	-
	BSPs	1,539,088	-	435.12	-
Grand Total		94,690,016	27,034,160	5,084.63	31,025,706

KPEP added two enterprises during Q2, one in wood processing and one in ICT. The distribution of the total number of enterprises, by sector, is as follows: agriculture, 49 enterprises; construction, 23 enterprises; forestry and wood processing, 23 enterprises; tourism sector, 16 enterprises; ICT, 11 enterprises; and recycling, four enterprises. The textile sector and food processing/wheat production have one company each as well. There are 16 business service providers in the client database of Component Two.

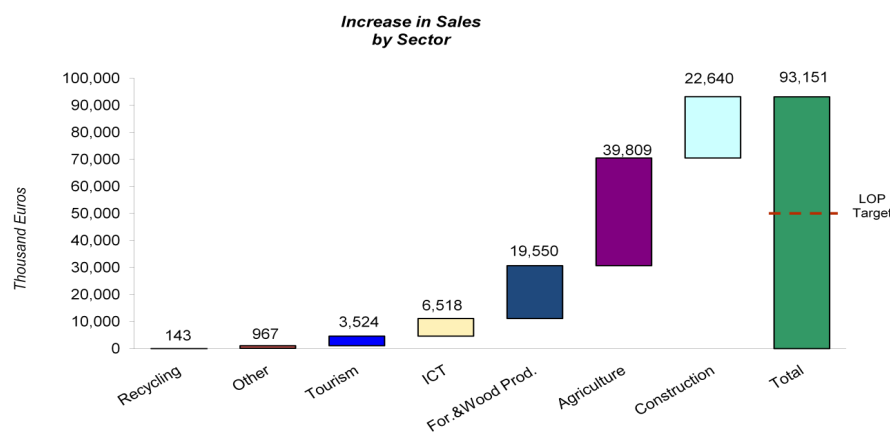
The data on people trained show that 6,716 people have received training since the start of the project, 5,008 of them male and 1,708 female. Below is the number of people trained, disaggregated by the type of the training for the LOP:

- 2,602 people participated in KPEP-supported presentations
- 2,670 attended trainings,

- 36 participated in the twinning partner training program
- 151 participated in roundtables
- 858 participated in different workshops
- 224 participated in conferences organized or supported by KPEP
- 7 individuals participated in study trips
- 69 participated in B2B events organized or supported by KPEP
- 99 participated in field day events organized or supported by KPEP

2. Sales

The total increase in sales reached 94.2 million Euros, both in enterprises under Component One (agriculture, construction, forestry and wood products, ICT and tourism) and BSPs, under



Component Two. KPEP has achieved a 50.3 percent growth in sales compared to the baseline. The target increase was set in the beginning of the project at 24.3 percent over the annualized baseline. The construction and

agriculture sectors remain the main contributors to the sales growth. The main contributors to this increase involve the companies presented in the table below:

Company name	Sector	Euro increase in sales
Lesna	Wood processing	15,392,511
Abi	Dairy	10,669,877
Devolli	Dairy	7,360,065
Pestova	Fruits and vegetables	7,308,495
Eurokos	Road construction	7,249,283
Eurofood	Fruits and vegetables	5,807,047
Cactus	ICT	5,799,010
Agrounion	Fruits and vegetables	4,424,075
Lin Projekt	Construction materials	3,546,486
Eskavatori	Road construction	3,133,187
Papenburg & Adriani	Road construction	2,620,746
Fibula Travel	Tourism	2,371,050
Bejta Commerce	Road construction	1,911,357
Graniti	Road construction	1,577,466
KAG Asphalt	Road construction	1,226,187

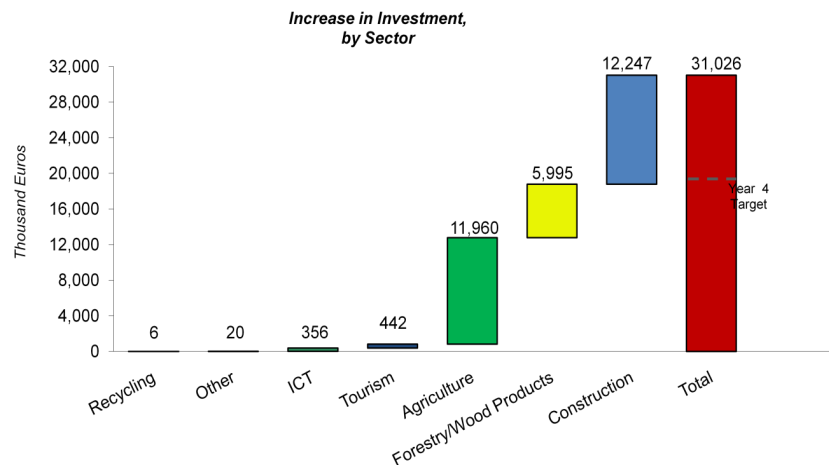
These 15 companies account for almost 90 percent of the total increase in sales of the KPEP beneficiary companies in supported sectors.

During Q2 alone, the sales of the companies in all sectors, including BSPs, amounted to 17,227,985 Euros.

3. Investment

The total value of investments reached 31.0 million Euros, thus already exceeding the LOP target of 20 million Euros. The construction sector continues to drive investment growth among KPEP firms although its share of this growth dropped, from Q1 to Q2, from 41.6 percent of the project's total reported increase in investment to 39.5 percent.

The agriculture sector increased its share to 38.5 percent, while the forestry and wood processing sector contributed to an increase in investments of 19.3 percent. The share of other sectors is at 2.7 percent.



Below is the list of main contributors to the increase in investments:

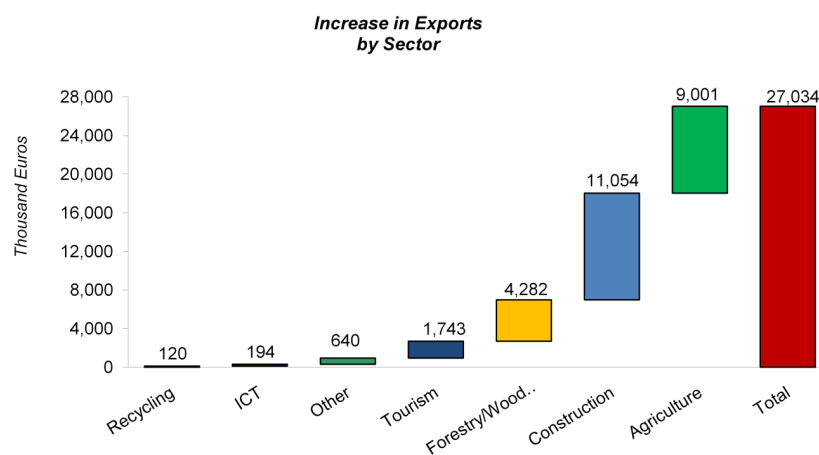
Company name	Sector	Euro increase in investment
Lesna	Wood processing	2,214,876
Eskavatori	Road construction	2,149,337
Lin Projekt	Construction materials	1,700,000
Renelual Tahiri	Construction materials	1,670,832
Devolli	Dairy	1,400,000
Papenburg & Adriani	Road construction	1,375,431
Fitorja	Construction materials	1,338,000
Pestova	Fruits and vegetables	1,288,474
Tefik Çanga Design	Wood processing	1,067,000
Eurolona	Dairy	1,010,060
Graniti	Road construction	1,007,501
Deco	Wood processing	853,500
Rugove	Dairy	841,503
KAG Asphalt	Road construction	798,000
Hit - Flores	Non-wood forest products	729,500
Kabi	Dairy	720,000
Bylmeti	Dairy	587,651
Agroprodukt-Syne	Non-wood forest products	572,421
Bejta Commerce	Road construction	548,833

In total, 110 of 128 KPEP-supported client enterprises in Component One have made investments since the KPEP project started.

During Q2 alone, the investments made by companies in all sectors, including BSPs, amounted to 1,858,938 Euros. The highest increase was in the forestry and wood processing sector (1.0 million Euros) and agriculture (0.7 million Euros).

4. Exports

The increase in exports to date for the LOP is 27.0 million Euros. Below is a list of the main exporters that are KPEP beneficiaries/client enterprises. The construction sector remains the



main contributor to the increase in exports at KPEP-supported enterprises with 40.9 percent, followed by the agriculture sector with 33.3 percent. At the sub-sector level the main contributors are the road construction sub-sector with 39.0 percent, fruit and vegetable sub-sector with

24.5 percent and the wood-processing sub-sector with 15.8 percent.

Below is the list of main contributors to the increase in exports, by sector/sub-sector:

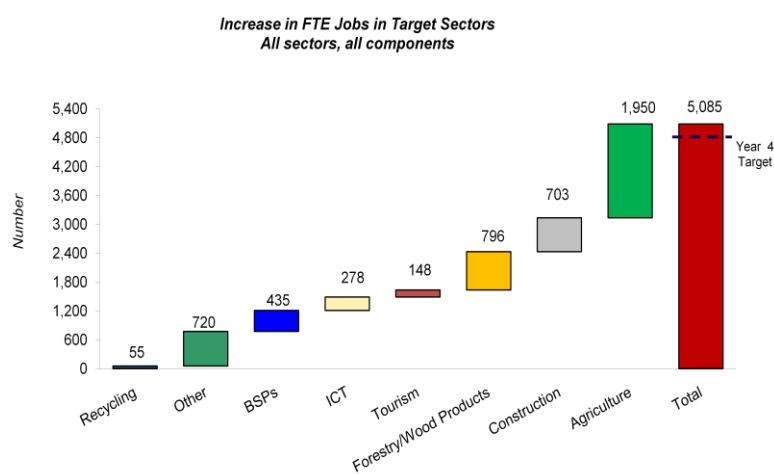
Company name	Sub-sector	Euro increase in Exports
Eurokos	Road construction	6,498,559
KAG Asphalt	Road construction	3,892,911
Lesna	Wood processing	3,879,457
Pestova	Fruits and vegetables	3,089,952
Hit - Flores	Non-wood forest products	1,422,480
Devolli	Dairy	872,955
Agroalbi	Fruits and vegetables	870,100
Etlinger	Fruits and vegetables	796,000
Eurofood	Fruits and vegetables	748,901
As-Promet	Non-wood forest products	687,602
Kosovatex	Other	640,437
Fibula Travel	Tourism	528,615
Prishtina, Hotel	Tourism	513,277
Bylmeti	Dairy	446,092
Ferplast	Construction materials	430,485
ASK Foods	Fruits and vegetables	237,000

In all, 67 client companies have exported products since the start of KPEP. The main contributor to the overall increase in exports remains the construction sector, which accounts for 40.9 percent. The agriculture sector contributed 33.3 percent and the wood and processing sector 15.8 percent. The share contributed by other sectors is 10 percent.

During Q2, the total value of exports by KPEP-supported enterprises in all targeted sectors was 2.2 million Euros. The agriculture sector leads in exports with 1.2 million Euros. During Q2, imports were 4.7 million Euros. This provides for an export/import coverage ratio of 46.8 percent for Q2 alone. The export/import coverage ratio for the LOP is 49.9 percent. During the LOP, exports totaled 38,829,198 Euros while imports were 77,832,838 Euros.

5. Full-time Jobs

During Q2, KPEP exceeded the target increase in FTE jobs. The LOP target increase was set at



5,036 FTE jobs. To date, there has been an increase in FTE jobs of 5,085, of which 4,650 were created in enterprises in Component One and 435 in the business service providers of Component Two. During Q2, 476 new FTE jobs were created in enterprises that operate under Component One sectors, and 24

FTE job in Component Two. The share of the agriculture sector to the LOP increase in FTE jobs is 38.3 percent; construction sector 13.8 percent; wood processing and forestry 15.7 percent; while other sectors, including the FTE jobs created through KPEP's support in North Kosovo, contributed altogether 32.2 percent (BSPs, 8.6 percent; North Kosovo project, 14.1 percent; ICT, 5.5 percent; tourism, 2.9 percent; and recycling, 1.1 percent).

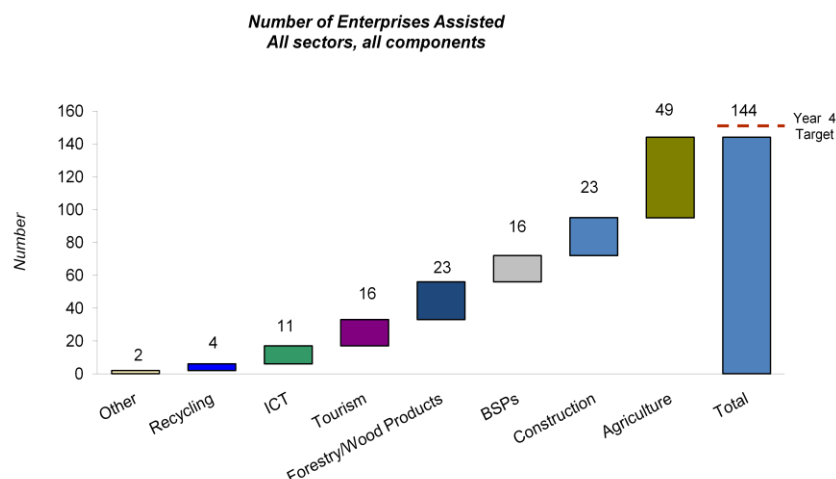
Below are the main contributors to the increase in FTE jobs since the beginning of KPEP:

Company name	Sector	Increase in FTE jobs
Kosovatex	Textile	349.25
Lesna	Wood processing	200.20
Pestova	Fruits and vegetables	181.83
Konsoni	Poultry meat processing	180.07
Cactus	ICT	179.46
Eurofood	Fruits and vegetables	166.31
Tefik Çanga Design	Wood processing	154.92
Devolli	Dairy	135.81
Agroprodukt-Syne	Non-wood forest products	123.39
Bejta Commerce	Road construction	108.89
Eurokos	Road construction	104.39
Magic Ice	Dairy	101.74
Ukaj/Elnor	Wood processing	99.16
Lin Projekt	Construction materials	94.10
Etlinger	Fruits and vegetables	90.37
Gacaferri	Wood processing	86.90
Eskavatori	Road construction	83.74
Hit - Flores	Non-wood forest products	81.29
Lesna	Wood processing	200.20

During Q2 alone, the total number of new FTEs in companies in all sectors, including BSPs, was 615. Comparing to the quarterly baseline for the same period of the previous year of 115 FTEs, this provides for an increase in FTE of 500.

6. Number of Enterprises Assisted

The KPEP client database includes 128 enterprises in Component One and 16 enterprises (BSPs) in Component Two.



These companies have received KPEP assistance and have in turn agreed to share their performance data. (Note that KPEP reaches much further into the private sector, assisting more than 670 companies overall.) Of the 128 enterprises in Component One, 49

enterprises belong to the agriculture sector, 23 are construction enterprises, and 23 are in the forestry and wood processing sector, 11 are in ICT, 16 enterprises belong to the tourism sector, four to the recycling sector, one is in textiles and one in food processing.

KPEP added two new companies to the PBMS system during Q2.

7. Transactional data

During Q2, KPEP recorded a number of new FTEs as a result of the successful implementation of the internship program in the North of Kosovo. KPEP received reports from seven companies (Aves Prom, Balkan Pharm, Eko-Centar, Lesak-Kom, Javor, Markovic and Velefarm) that confirmed the companies went on to employ 35 former interns as a direct result of KPEP program.

8. PBMS Methodology

The Performance Based Management System (PBMS) monitors progress against program targets, facilitates reporting of the results attributable to KPEP efforts and provides data for reporting to USAID. It identifies successful enterprise, sector and industry clients, interventions and consultants and allows the team to compare projected results to actual results on a monthly, quarterly, semi-annual and annual basis. The baseline and targets are set for all indicators for the life of the project (LOP).

- Data collection

KPEP specialists worked with client enterprises to establish the baseline data. Initial baseline data are recorded for the period just prior to the implementation of those activities that

contribute to the achievement of results, enabling comparison when measuring progress toward a specific result or objective. The baseline provides a snapshot of a performance indicator as a point of reference.

For enterprises, the baseline includes jobs, sales, production, investments, foreign direct investment and partnerships data. KPEP specialists are responsible for data collection from enterprises. The PBMS specialist reviewed the information received and performed quality control. After that, the PBMS specialist entered the data into the project's database. The reports produced from the access database and Excel spreadsheets are included in the quarterly reports provided to USAID.

- Quality of the data

The sector specialists are responsible for the first-level data quality control. The quality checks have been made to ensure that those data collected and included in the database are both accurate and reliable. Every single transaction entered in the database was double checked for accuracy.

- Data verification

The PBMS specialist conducts site visits and interviews with representatives from the client enterprises and organizational partners to verify the results that have been reported. In addition to verification of the accuracy and consistency of the results reported, the PBMS specialist also determines whether KPEP interventions contributed to the results and thus may be attributed to the project.

- Status of the Indicators

The status of Project Indicators is set out in Annex 1, *Report on Indicators*. This annex gives the status of all indicators from the PMP.

9. Attribution

The KPEP Attribution Process represents a method for assigning results more specifically to KPEP interventions. In the past, KPEP (and KCBS before it) captured the quarterly revenue, investment, and job data from its client partners and reported them exactly as they had been received, regardless of the level of assistance provided to that firm. KPEP will continue to report data in this manner. The KPEP Attribution Process will help capture transaction level data and will assign a percentage of quarterly revenue that KPEP can reasonably be responsible for and accountable for. This process will also help calculate a Return on Investment for Component One work, enabling management to compare results versus cost across sectors. This exercise will add valuable insight into the effectiveness of KPEP's interventions in specific sectors and can inform future investment decisions.

The steps are as follows:

1. Collect transactional data on an ongoing basis from both KPEP and non-KPEP firms.
2. Collect quarterly data from KPEP firms as usual.
3. Subtract transactional data from quarterly data for KPEP client firms.
4. Assign an attribution percentage (based on guidelines below) to the remaining client sales, based on KPEP activities and support. This percentage should be assigned based on activities, regular formal evaluations by the clients as well as informal discussions with the client firms.

5. Meet as a team inclusive of USAID and outside perspectives to debate and defend assigned percentages, come to consensus and consistency across sectors, and discuss problem areas (cases where sales fall relative to the baseline, for example).
6. Report both gross numbers and attributable numbers to USAID.
7. Use attributable numbers to calculate rough ROI for internal management purposes.

Scoring: Each quarter, sector specialists will assign a ranking for each company based on what percentage of the firm's quarterly sales, investment or jobs created for which KPEP can reasonably take credit. Scores will be assigned in quartiles 0, 25, 50, 75, or 100%.

Scoring Criteria	
0%	No support was given to the firm in this quarter (includes technical assistance, grants, training, or any activities listed above)
25%	1 medium level activity, or 1-2 low impact activities performed with the client firm having a result on sales, investment or jobs
50%	1 to 2 high level impact activity or 3 or more medium level impact activities (or a combination of low, medium, and high level impact activities)
75%	3 or more high level impact activities (or a combination of activities that includes 2 or more high level and 3 or more medium level activities)
100%	An intensive combination of all levels of activities with a single firm. A 100% ranking should be reserved for only those firms who have received extensive support throughout the reporting period.

Scoring Guidelines: A list of generic activities with low, medium, and high-level impact rankings with respect to sales, investment, and job creation for client firms. These activities are to be viewed as guidelines and sector specialists may describe other activities not categorized below in supporting the ranking they assign a client firm.

High Impact	Medium Impact	Low Impact
<ul style="list-style-type: none"> • Buyer meetings/introductions • Buyer—seller negotiations • New product development • Investor materials/presentations • Internships • Agriculture aggregation • Transport and logistics • Other—describe 	<ul style="list-style-type: none"> • Marketing campaigns • Marketing support • Packaging and branding support • Market research • Advisory services • Study tours • Partnership facilitation • Storage facility construction • Management support • Training • Agronomy/productivity support • Certification training • Certification preparation support • Standards preparation • Other—describe 	<ul style="list-style-type: none"> • Trade fairs • Conferences • Agriculture demonstration plots • Feasibility studies • National strategies • Export plans • Other—describe

Following are the results on the attribution regarding four main indicators: sales, jobs, exports and investment.

1. KPEP attribution on sales

1.1. Total KPEP

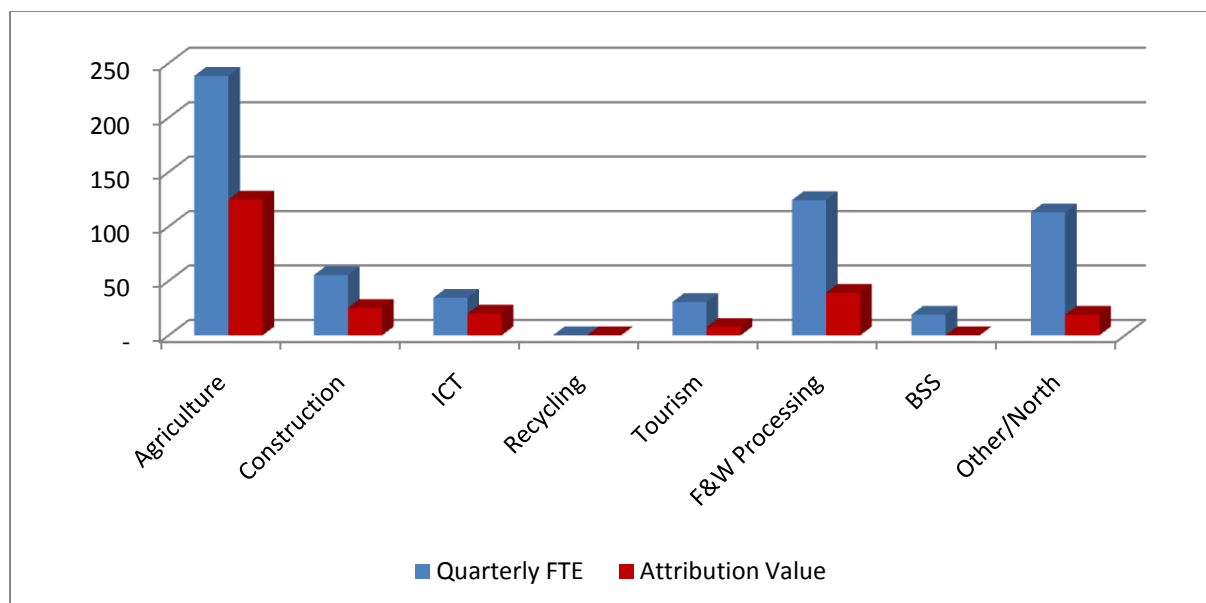
Total Quarterly Sales KPEP Firms	€ 17,227,985
Total KPEP Attributable Sales	€ 7,176,519
Attribution % for the quarter	41.7%
Total Quarterly Sales Non-KPEP Firms	€ 0
Total Non-KPEP Attributable Sales	€ 0
Attribution % for the quarter	0%
Total Sales	€ 17,227,985
Total KPEP Attributable Sales	€ 7,176,519
Total Quarter Attribution %	41.7%

1.2. sub-sector

Sector	Sub-sector	Net quarterly data in Euros	KPEP attribution in Euros	% Attribution
Agriculture		11,722,889	5,130,822	43.8%
	Dairy	5,377,022	1,845,402	34.3%
	Fruits and vegetables	5,769,124	3,018,049	52.3%
	NWFP	303,526	130,763	43.1%
	Poultry meat processing	273,217	136,609	50.0%
Construction		1,453,536	641,979	44.2%
	Construction materials	1,453,536	641,979	44.2%
	Road construction	-	-	-
ICT		1,205,772	658,790	54.6%
	ICT	1,205,772	658,790	54.6%
Recycling		-	-	-
	Recycling	-	-	-
Tourism		590,550	147,638	25.0%
	Tourism	590,550	147,638	25.0%
Forestry & Wood Processing		1,772,512	558,083	31.5%
	Wood processing	1,630,592	522,603	32.0%
	Forestry	141,920	35,480	25.0%
Other		165,326	39,207	23.7%
	Other	165,326	39,207	23.7%
BSS		317,400	-	0.0%
	BSS	317,400	-	0.0%
Grand Total		17,227,985	7,176,519	41.7%

Of the total value of sales of 17,227,985 Euros, KPEP's attribution is 7,176,519 Euros, or 41.7% of the total quarterly sales by KPEP clients.

Below is a graphic presentation of the attribution of sales per sector:



2. KPEP attribution on exports

2.1. Total KPEP

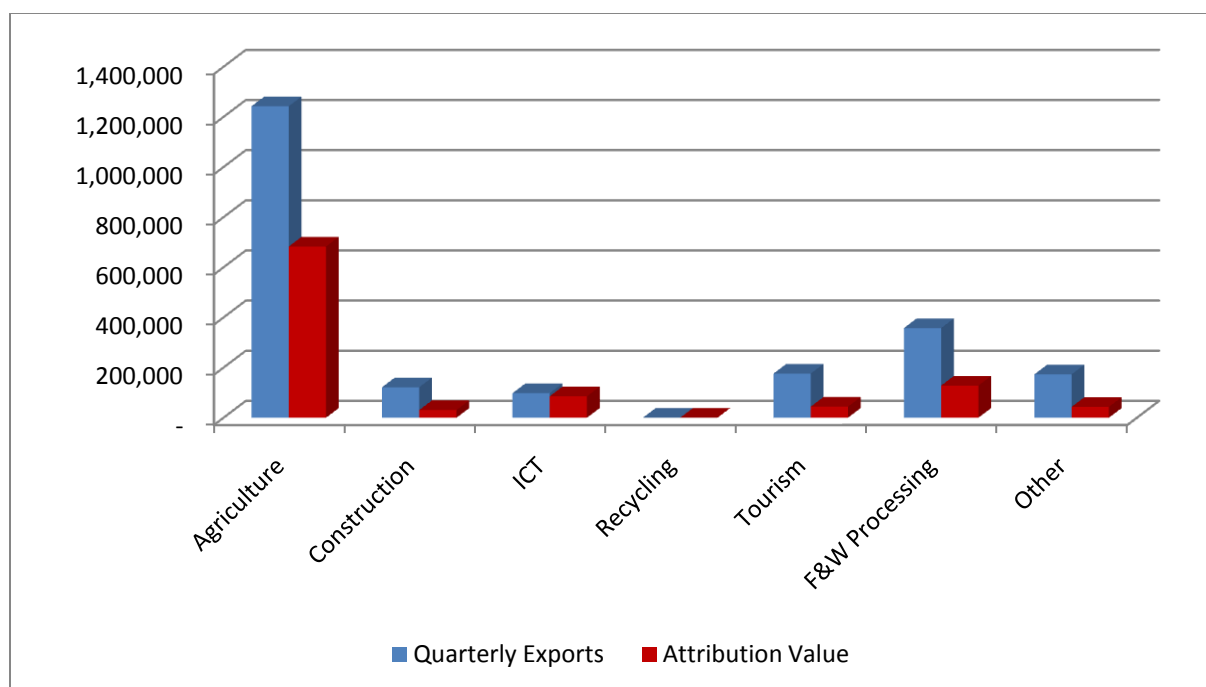
Total Quarterly Exports KPEP Firms	€ 2,167,455
Total KPEP Attributable Exports	€ 1,014,177
Attribution % for the quarter	46.8%
Total Quarterly Exports Non-KPEP Firms	€ 0
Total Non-KPEP Attributable Exports	€ 0
Attribution % for the quarter	0%
Total Exports	€ 2,167,455
Total KPEP Attributable Exports	€ 1,014,177
Total Quarter Attribution %	46.8%

2.2. By sub-sector

Sector	Sub-sector	Net quarterly data in Euros	KPEP attribution in Euros	% Attribution
Agriculture		1,242,385	682,821	55.0%
	Dairy	104,705	46,178	44.1%
	Fruits and vegetables	863,192	499,399	57.9%
	NWFP	273,488	136,744	50.0%
	Poultry meat processing	1,000	500	50.0%
Construction		121,375	30,584	25.2%
	Construction materials	121,375	30,584	25.2%
	Road construction	0	0	0%
ICT		97,700	85,514	87.5%
	ICT	97,700	85,514	87.5%
Recycling		0	0	0%
	Recycling	0	0	0%
Tourism		175,670	43,917	25.0%
	Tourism	175,670	43,917	25.0%
Forestry & Wood Processing		357,499	128,135	35.8%
	Wood processing	357,499	128,135	35.8%
	Forestry	0	0	0%
Other		172,826	43,207	25.0%
	Other	172,826	43,207	25.0%
BSS		0	0	0%
	BSS	0	0	0%
Grand Total		2,167,455	1,014,177	46.8%

Of the total value of exports of 2,167,455 Euros, KPEP's attribution is 1,014,177 Euros, or 46.8% of the total quarterly export sales by KPEP clients.

Below is a graphic presentation of the attribution of exports per sector:



3. KPEP attribution on investment

3.1. Total KPEP

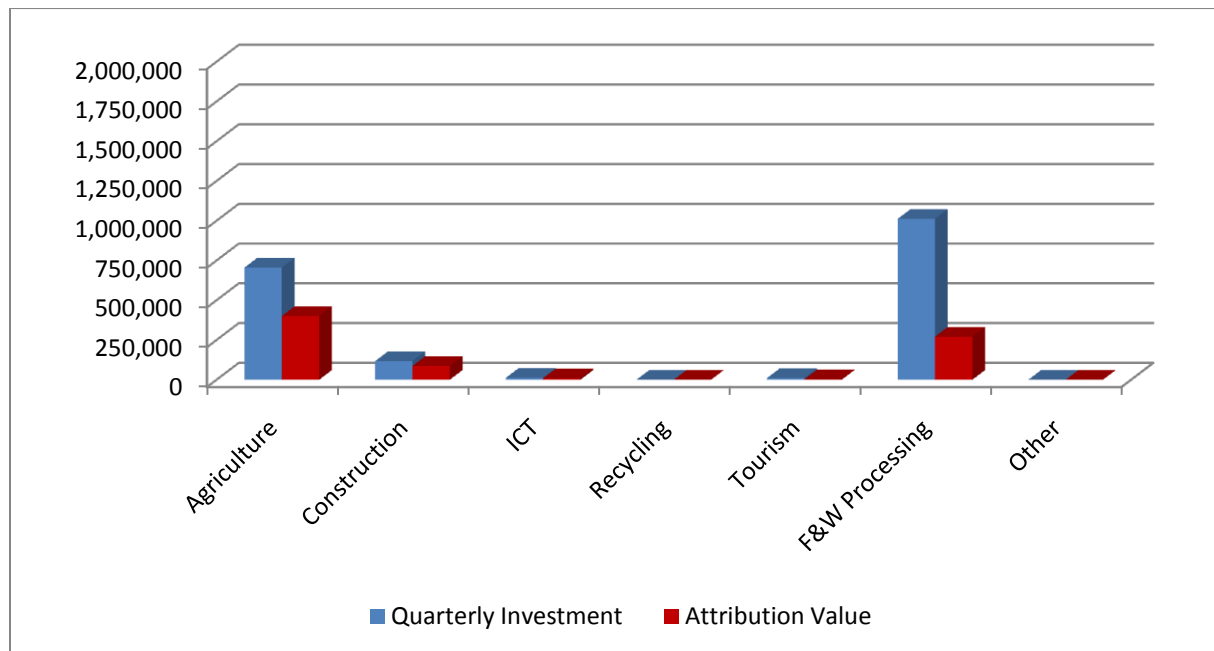
Total Quarterly Investments KPEP Firms	€ 1,858,938
Total KPEP Attributable Investments	€ 771,417
Attribution % for the quarter	41.5%
Total Quarterly Investments Non-KPEP Firms	€ 0
Total Non-KPEP Attributable Investments	€ 0
Attribution % for the quarter	0%
Total Investments	€ 1,858,938
Total KPEP Attributable Investments	€ 771,417
Total Quarter Attribution %	41.5%

3.2. By sub-sector

Sector/Subsector	Net quarterly data in Euros	KPEP attribution in Euros	% Attribution
Agriculture	705,757	400,554	57%
Dairy	448,143	247,732	55%
Fruits and vegetables	171,614	120,072	70%
NWFP	86,000	32,750	38%
Poultry meat processing	0	0	0%
Construction	117,339	86,714	74%
Construction materials	117,339	86,714	74%
Road construction	0	0	0%
ICT	12,032	9,791	81%
ICT	12,032	9,791	81%
Recycling	0	0	0%
Recycling	0	0	0%
Tourism	11,000	2,750	25%
Tourism	11,000	2,750	25%
Other	0	0	0%
Other	0	0	0%
Forestry and wood processing	1,011,950	270,963	27%
Wood processing	996,450	267,088	27%
Forestry	15,500	3,875	25%
Forestry and wood Processing	860	645	75%
Wood processing	860	645	75%
BSS	0	0	0%
BSS	0	0	0%
Grand Total	1,858,938	771,417	41%

Of the total 1,858,938 Euros in investments, KPEP's attribution is 771,417 Euros, or 41.0% of the total quarterly investments made by KPEP clients.

Below is a graphic presentation of the attribution of investments per sector:



4. KPEP attribution on employment

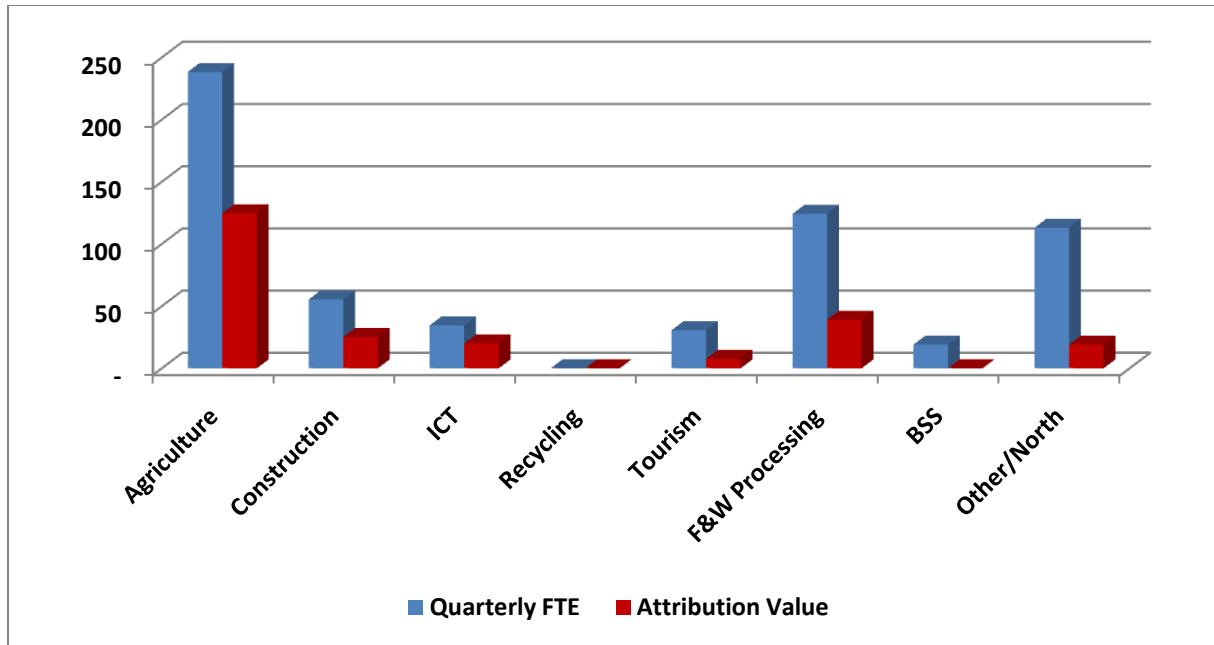
4.1. Total KPEP

Total Quarterly FTE KPEP Firms	615.16
Total KPEP Attributable FTE	235.67
Attribution % for the quarter	38.3%
Total Quarterly FTE Non-KPEP Firms	-
Total Non-KPEP Attributable FTE	-
Attribution % for the quarter	0%
Total FTE	615.16
Total KPEP Attributable FTE	235.67
Total Quarter Attribution %	38.3%

4.2. By sub-sector

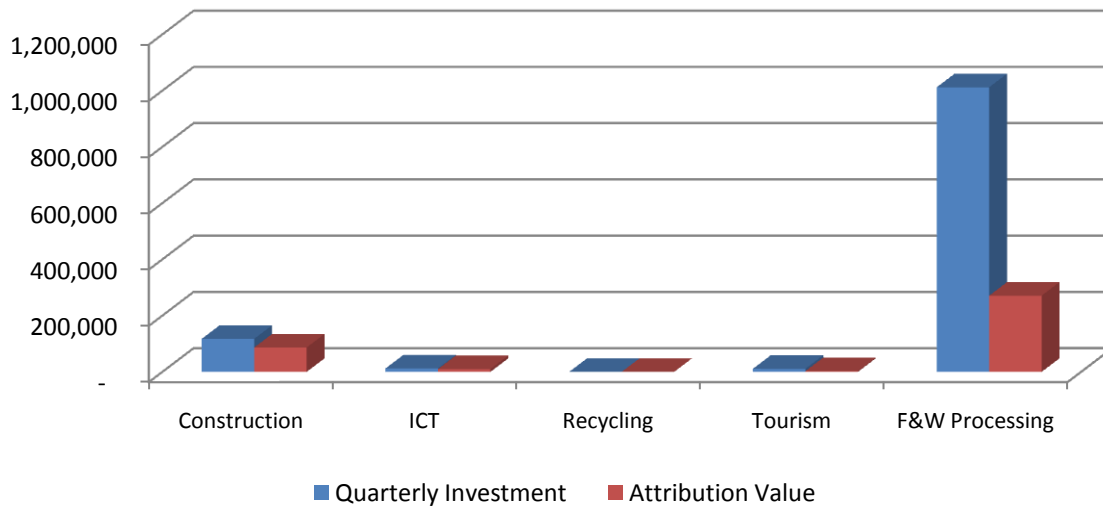
Sector	Sub-sector	Net quarterly data in Euros	KPEP attribution in Euros	% Attribution
Agriculture		238.33	124.71	52.3%
	Dairy	65.33	29.81	45.6%
	Fruits and vegetables	138.90	79.56	57.3%
	NWFP	18.36	7.47	40.7%
	Poultry meat processing	15.75	7.87	50.0%
Construction		55.35	25.19	45.5%
	Construction materials	55.35	25.19	45.5%
	Road construction	-	-	-
ICT		34.51	19.97	57.9%
	ICT	34.51	19.97	57.9%
Recycling		-	-	-
	Recycling	-	-	-
Tourism		30.67	7.67	25.0%
	Tourism	30.67	7.67	25.0%
Other		113.01	19.00	16.8%
	Other	113.01	19.00	16.8%
Forestry & Wood Processing		124.24	39.13	31.5%
	Wood processing	116.91	37.29	31.9%
	Forestry	7.34	1.83	25.0%
BSSS		19.05	-	0.0%
	BSSS	19.05	-	0.0%
Grand Total		615.16	235.67	38.3%

Of the 615 FTE jobs created by KPEP clients during Q2, KPEP's attribution is 236 FTE jobs, or 38.3%.

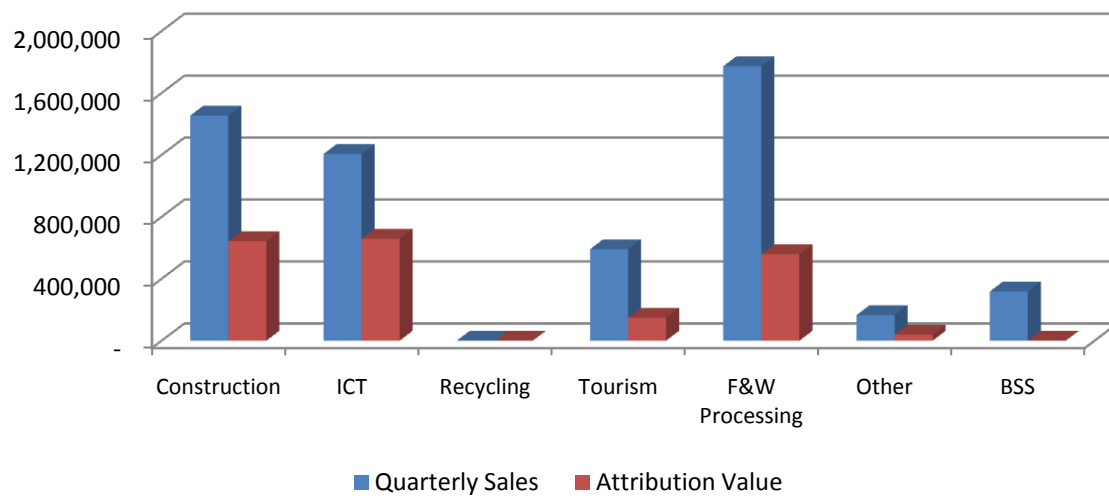


Due to the fact that agriculture sector is the major contributor to the increase in main performance indicators for the quarter; it is very difficult to see the performance of other sectors. Therefore, we excluded the data from this sector (and for FTE indicator excluded also data from the North Kosovo project), and then designed another set of graphs that better shows the KPEP's contribution to the results in these sectors.

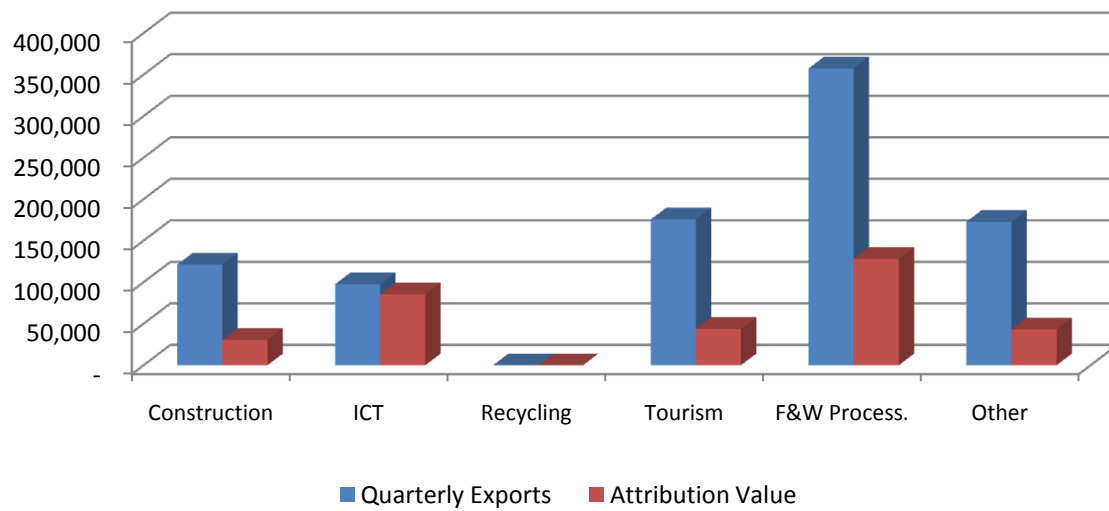
Attribution Investment (without Agriculture)



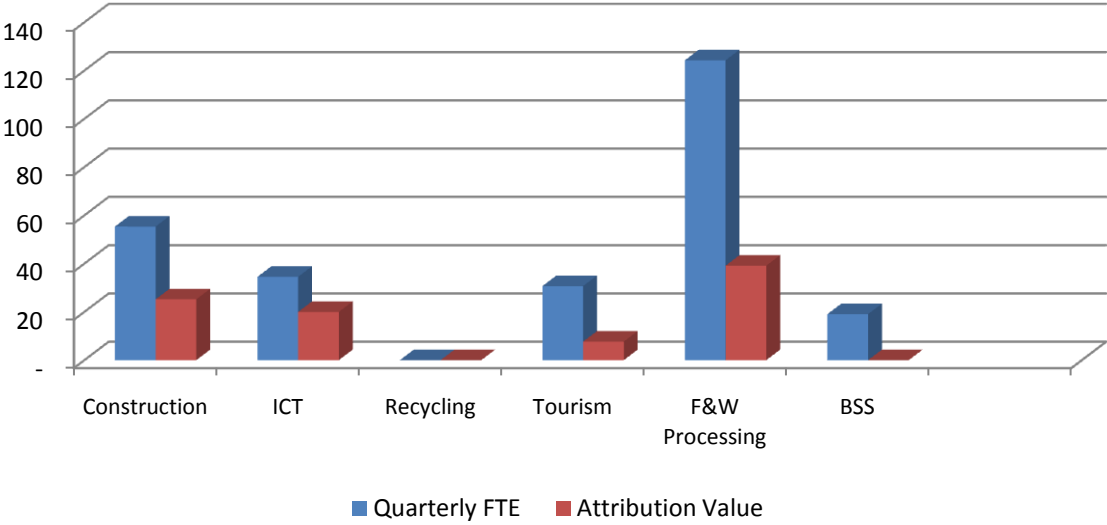
Attribution Sales (without Agriculture)



Attribution Exports (without Agriculture)



Attribution FTE (without Agriculture and North project)



10. Multipliers

Using multipliers to estimate total economic impact or the employment impact of direct sales and growth of a particular industry is a common economic tool. There are numerous methodologies and academic studies used to develop, calculate and detail multipliers for particular sectors in specific economies. However, the process for developing a multiplier for specific sectors in Kosovo would be potentially costly and the data may not be available or accurate. Instead, KPEP collected multipliers on project sectors from a wide range of sources and extrapolated multipliers available on an anecdotal basis.

One important tool widely used to evaluate economic development impacts is the *economic impact analysis*. Economic impact analyses measure the potential impact of economic decisions by business, government, and consumers on an economy.

An economic impact analysis is based on the concept of the multiplier. The *multiplier* is the relationship between some change in an economy and the economic activity that then occurs as a result of that change. Consider a furniture manufacturer setting up a factory in a new location in Kosovo. Initial projections of the impact of the new plant would likely include estimates of the number of new jobs and the income earned by the newly hired workers. This is called the *direct effect*, which is an initial change in the economy.

There are other effects as well. The new plant will need goods and services supplied by other local businesses, including, say, paint, hardware and transportation. These purchases generate new jobs and income in those allied industries. These spinoff activities are referred to as *indirect effects*. In addition, the new workers in the parts plant and the employees in the supporting industries spend a portion of their income locally to meet household needs, and this spending creates new jobs and income. The jobs and spending created as a result of these activities are called the *induced effect*.

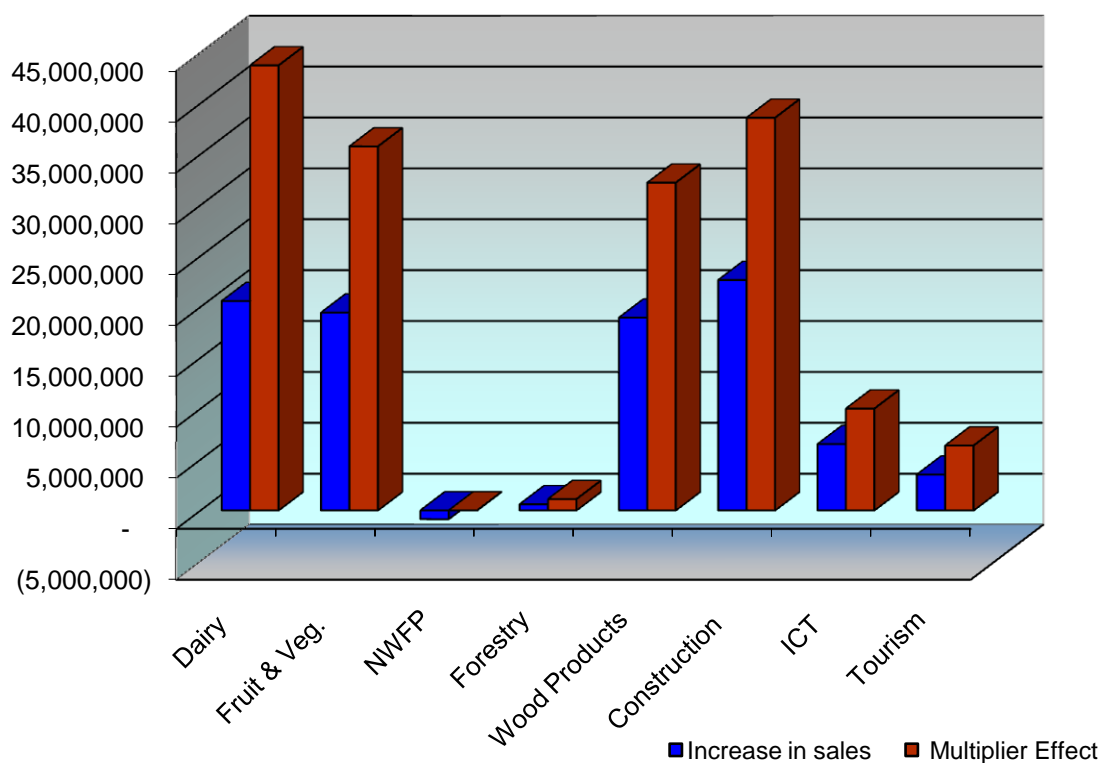
The sum of the direct, indirect, and induced effects is the *total effect*. The process of job creation and income generation continues so long as some portion of spending remains local. The multiplier is an estimate of how much additional economic activity will result from some new investment in an economy. "Multiplier" is an appropriate term, because the original investment is "multiplied" by the multiplier to obtain the total economic impact

KPEP developed the average multipliers for each KPEP sector. Minor sub-sectors, such as metal processing and poultry meat processing, are not included in the calculation.

Sector	Economic Impact	Employment
Dairy	2.13	1.84
Fruit and Vegetable	1.84	1.96
Non-Wood Forest Products	1.90	1.58
Forestry	1.84	1.89
Wood Products	1.70	1.66
Construction	1.70	1.84
ICT	1.54	1.57
Tourism	1.81	1.39

1. Economic Impact

Sector	Increase in sales	Economic Impact	Multiplier Effect
Dairy	20,577,587	2.13	43,727,372
Fruit & Veg.	19,437,766	1.84	35,765,489
NWFP	(853,552)	1.90	-
Forestry	606,781	1.84	1,116,477
Wood Products	18,942,945	1.70	32,203,007
Construction	22,639,968	1.70	38,584,974
ICT	6,518,027	1.54	10,005,171
Tourism	3,524,369	1.81	6,379,108
TOTAL	91,393,891		167,781,599

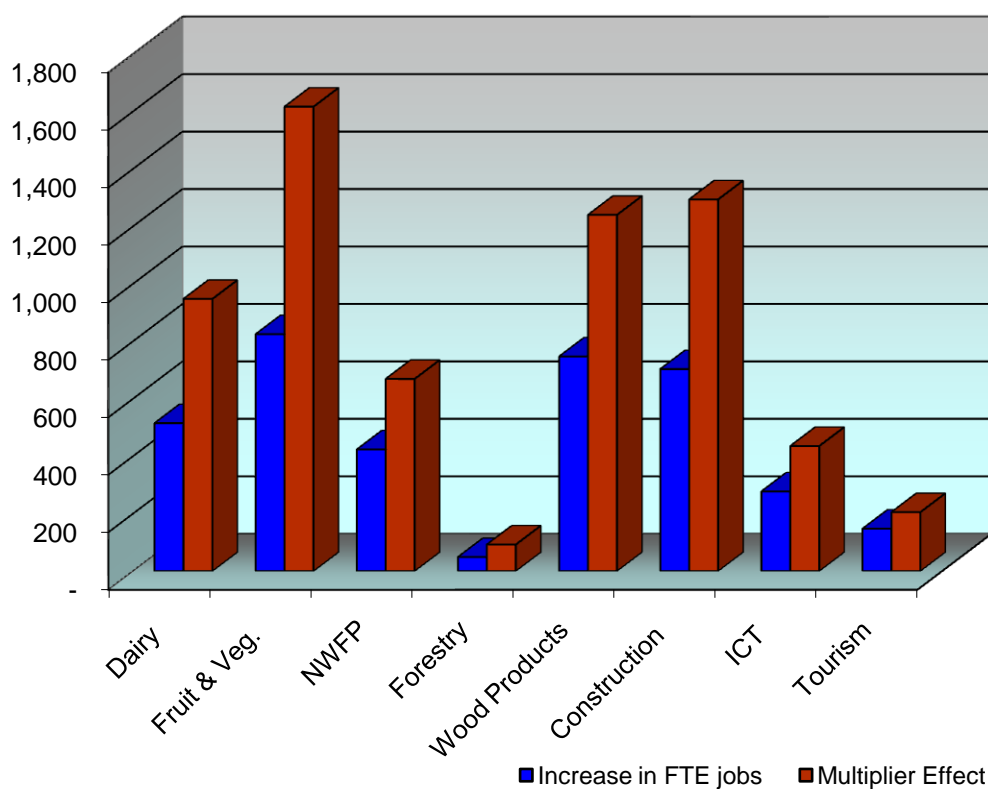


The multiplier effect for the total increase in sales for the LOP of 91,393,891 Euros is 167,781,599 Euros. On average, each 1 Euro increase in sales generates another 1.84 Euros all the way through the value chain of KPEP-targeted sectors.

If KPEP uses these data and compares them with the LOP target for sales, 50 million Euros, the project has by far exceeded this target, even though the project does not have multipliers for all sectors.

2. Employment

Sector	Increase in FTE jobs	Employment	Multiplier Effect
Dairy	514.92	1.84	947.45
Fruit and Vegetable	824.79	1.96	1,616.59
NWFP	423.43	1.58	669.02
Forestry	48.94	1.89	92.50
Wood Products	746.99	1.66	1,240.00
Construction	703.08	1.84	1,293.67
ICT	277.32	1.57	435.39
Tourism	147.61	1.39	205.18
TOTAL	3,687.08		6,499.80



The multiplier effect for the total increase in employment for the LOP of 3,687.08 FTE jobs is 6,499.80 FTE jobs. In average, for every one new FTE job, another 1.76 FTE jobs have been generated all the way through the value chain of KPEP-targeted sectors.

If KPEP uses these data and compares them with the LOP target on FTE jobs, 5,000 new FTE jobs at the end of Year 4, KPEP has exceeded this target, although the project does not have multipliers for all sectors.

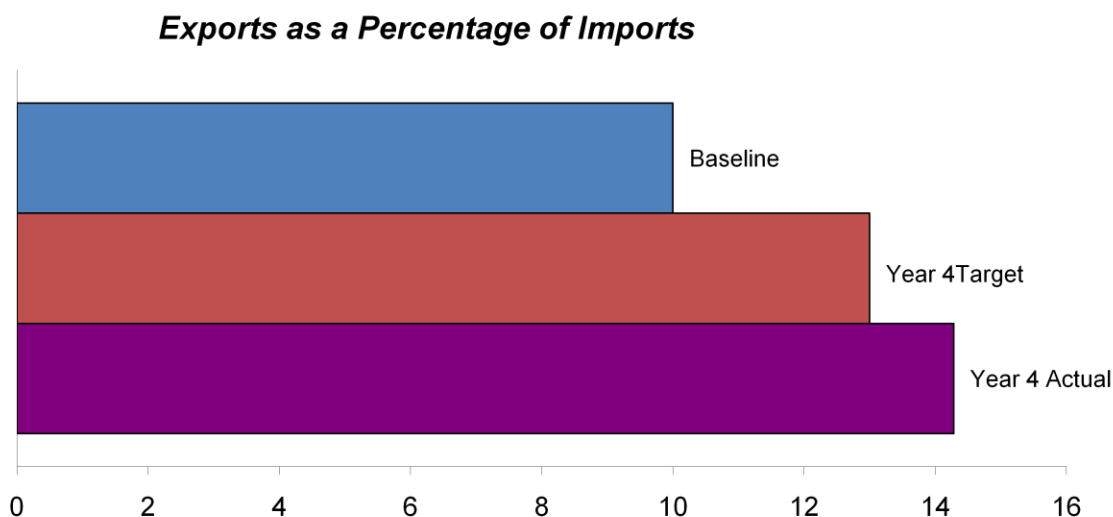
ANNEX 1. REPORT ON INDICATORS

IR.1.3 (1) Accelerated Growth of Private Sector

Indicator: Exports as a Percentage of Imports – Kosovo Wide

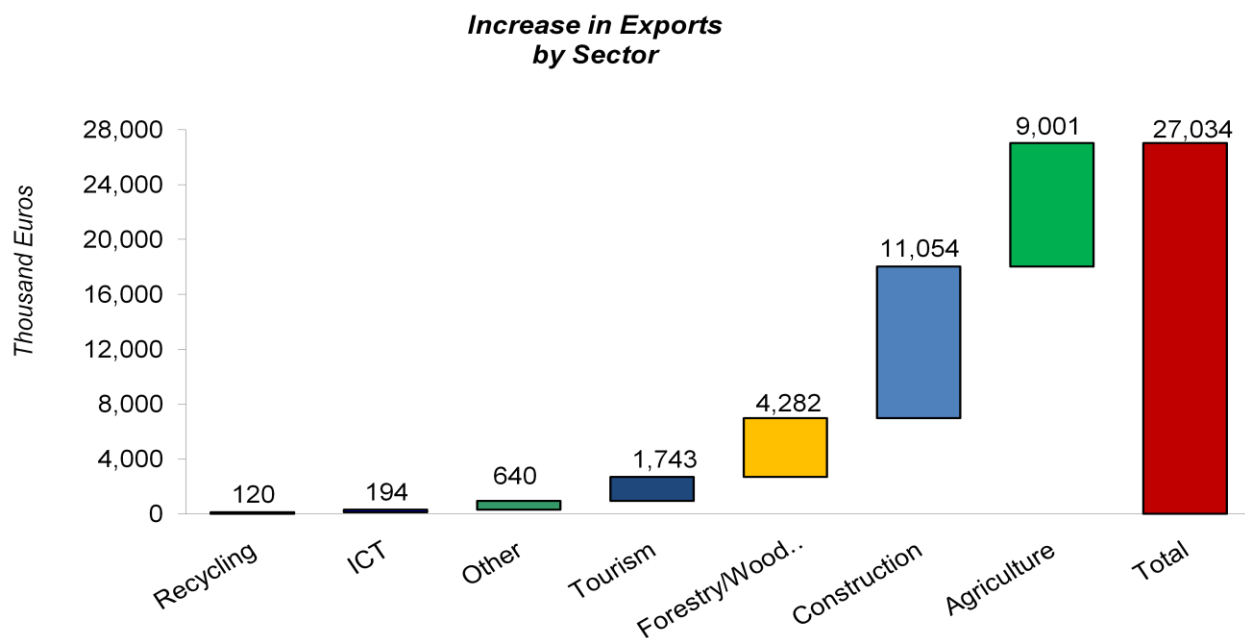
Definition of the indicator: The total value of exports divided by the total value of imports, by sector.

Data Source: Data were received from the Statistical Office of Kosovo (SOK).



Quarterly Results: This report contains data for the period October 2011- January 2012, or the most recent data available. The value of exports for this period was 89.7 million Euros, while imports were 850.3 million Euros, which represents a 10.6 percent export/import coverage. During CY 2011, Kosovo exported goods valued at 321.9 million Euros, and imported 2,352.6 million Euros in goods, which provides for annual exports/imports coverage of 13.7%. In January 2012, Kosovo imported goods valued at 131.6 million Euros, and exported 18.8 million Euros, which provides for a coverage ratio of 14.3 percent.

The data collected from KPEP client enterprises indicate that exports to date were 38,829,198 Euros while imports were 77,832,838 Euros. This provides for a coverage ratio of 49.9%. Comparing to the baseline export data of KPEP clients, there was an increase of 27.0 million Euros for the LOP. The graph below shows the increase in exports by KPEP targeted sectors.

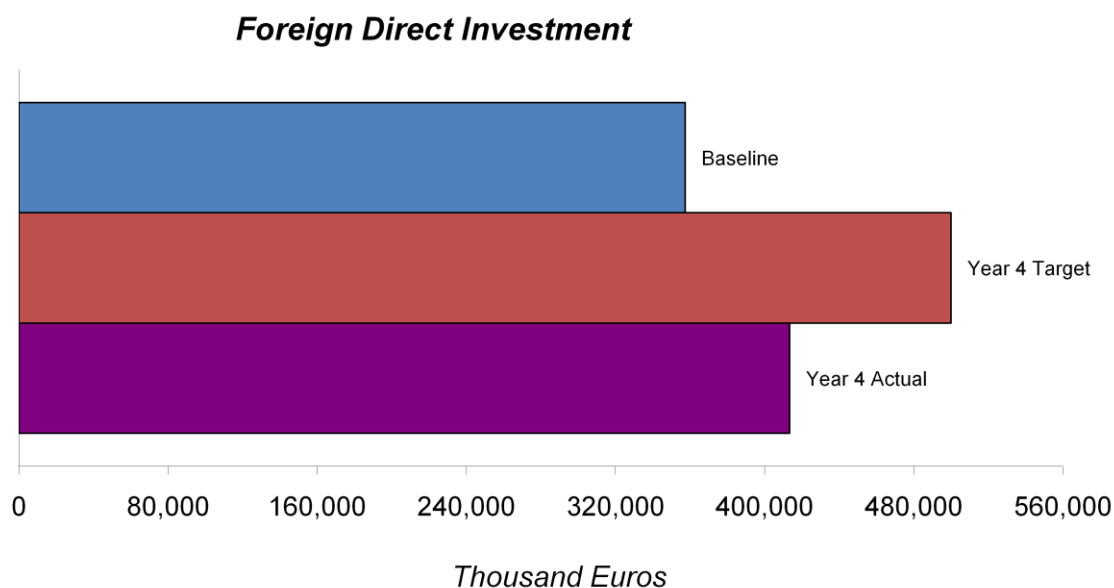


IR.1.3 (2) Accelerated Growth of Private Sector

Indicator: Foreign Direct Investment – Kosovo Wide

Definition of the indicator: Value of foreign private investment. Enterprise investment is defined as spending related to operational capital, technology, land and infrastructure.

Data Source: Baseline data were received from the Central Bank of the Republic of Kosovo.



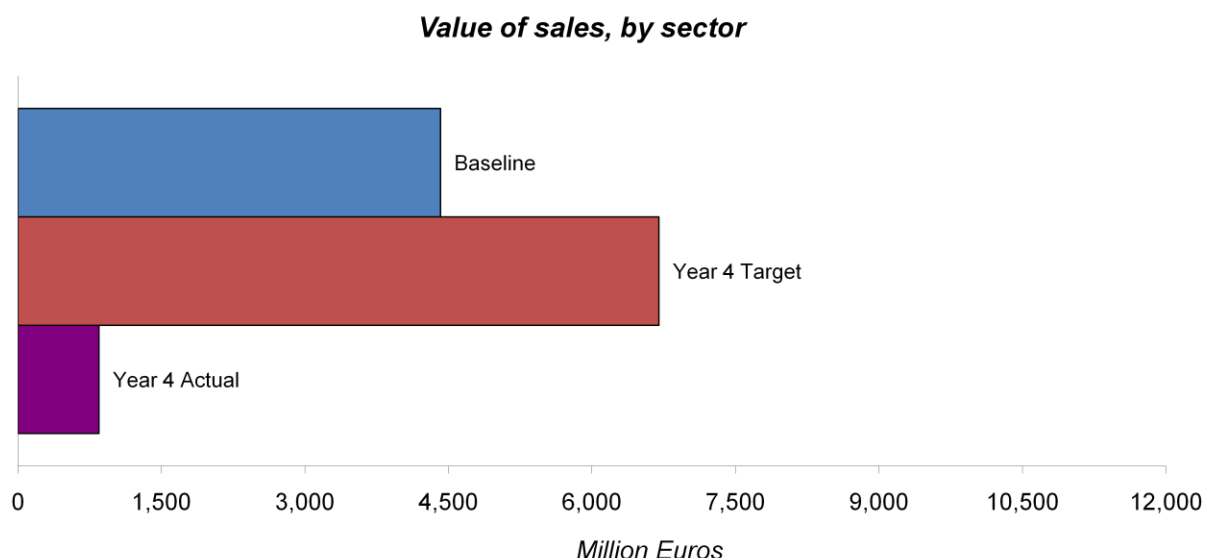
Quarterly Results: The information provided by the Central Bank of Kosovo and the World Bank Foreign Direct Investment in Kosovo for year 2010 (the most recent available data) indicate that there were in total 413.4 million Euros of foreign investment.

IR.1.3 (3) Accelerated Growth of Private Sector

Indicator: Value of sales, by sector – Kosovo Wide

Definition of the indicator: Value of goods and services sold during the year measured as gross business sales.

Data Source: The Tax Administration of Kosovo provided the data for this indicator.



Quarterly Results. The baseline includes the data for the period January-December 2008. KPEP has collected data covering the period October 2011-December 2011. The cumulative data for this period show 847.9 million Euros in sales made by all enterprises in Kosovo. The Tax Administration of Kosovo separates enterprises in Kosovo by different categories: by size, whether small or large enterprises; and by legal status, whether individual businesses, partnerships or corporations. No data were collected for this quarter.

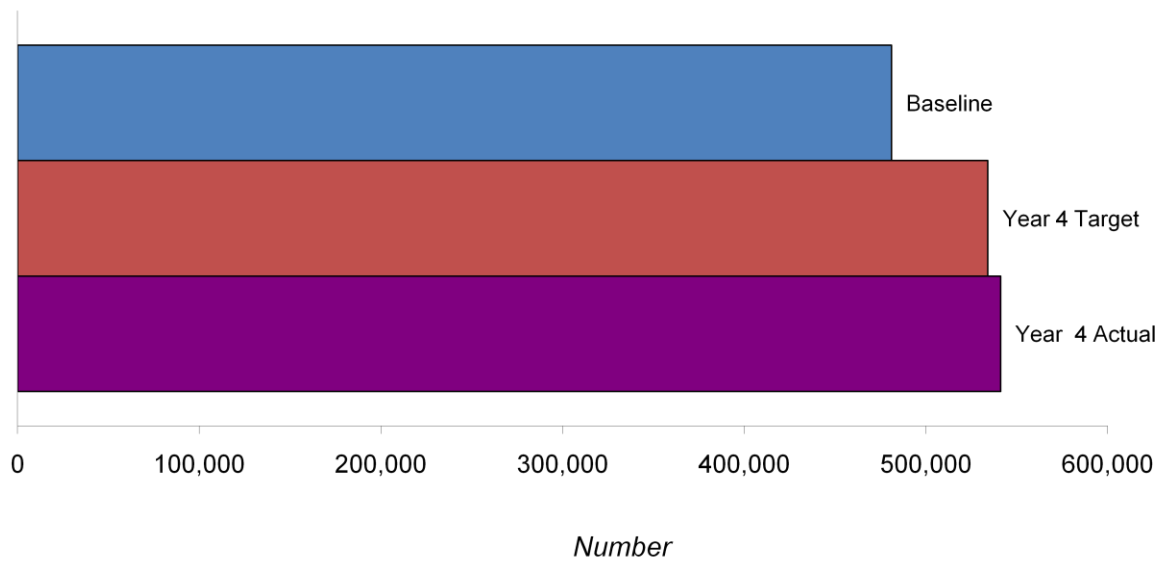
IR.1.3 (4) Accelerated Growth of Private Sector

Indicator: Number of people employed, by sector – Kosovo Wide

Definition of the indicator: Number of people employed, disaggregated by sector.

Data Source: The baseline data for this indicator were collected from the Macroeconomic Department of MEF. The quarterly data were collected from the Department for Labor and Employment (DLE) of the Ministry of Labor and Social Welfare (MLSW).

Number of People Employed in Kosovo



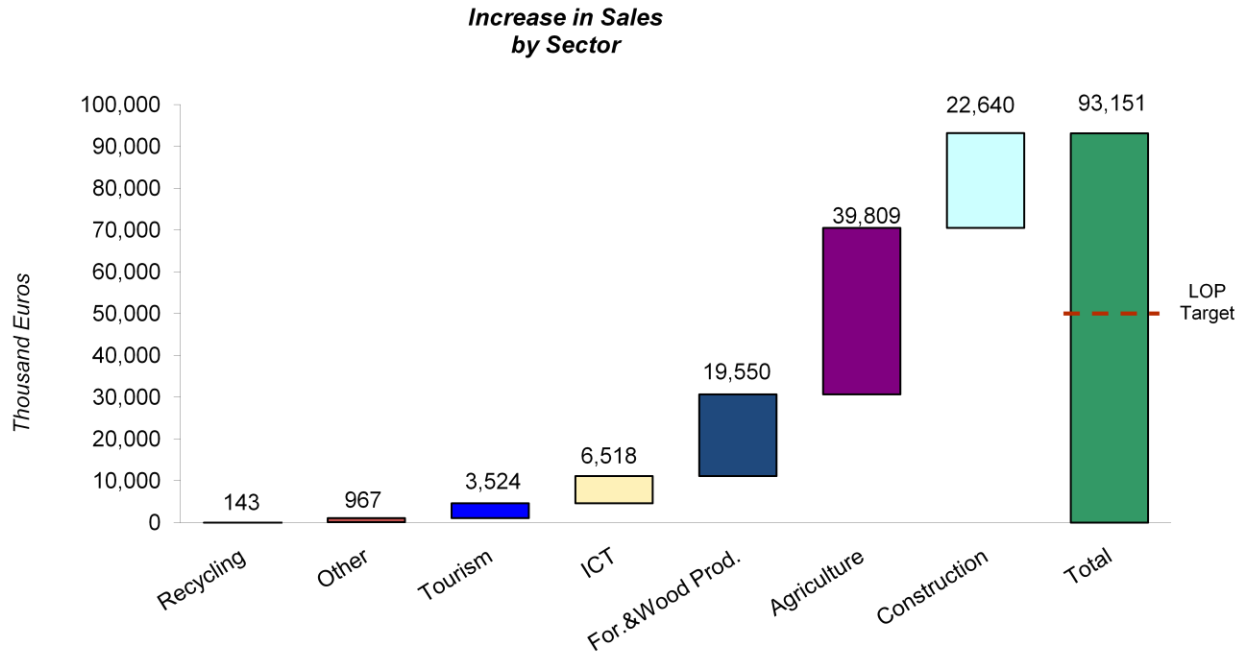
Quarterly Results. The data received from the DLE of the MLSW regarding employment are as of November 2011 (report “*Information on Labor Market in Kosovo*,” November 2011). The two main categories in this report are entries and exits. According to the DLE’s explanation in the report, by ‘entries’ it means ‘new people who register as unemployed,’ while by ‘exits’ it means ‘people who left unemployment bureau and eventually were employed.’ Using this methodology, KPEP may conclude that there are currently approximately 540,000 people employed. During the first three months of the FY 2012, (October, November and December), the number of exits (people newly employed) was 15,713, while the number of new entrants (new unemployed people) was 5,699.

IR.1.3.1 (1) Increased Competitiveness of Key Sectors

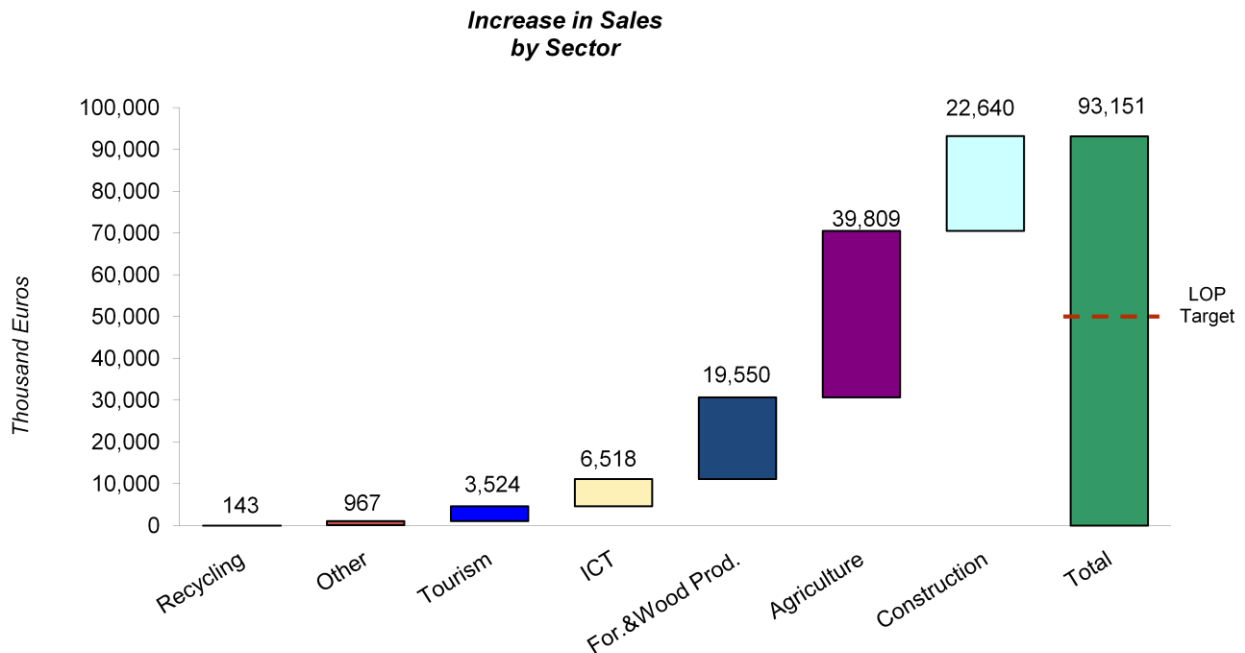
Indicator: Increase in Sales in Target Sectors

Definition of the indicator: The value of goods and services sold during the year is measured as gross business sales. It is an aggregate of all business sales related to the sector over a given period. This is measured for enterprises that receive KPEP support directly, through SAF or from specific transactions supported by KPEP.

Data Source: Data received from sector specialists.



Quarterly Results. The annualized baseline value of sales is 185,108,131 Euros, which represents the baseline sales data for 128 companies. The cumulative target for Q2 Year 4 is an increase of sales of 45,000,000 Euros. Cumulative increase to date is 93,150,927 Euros, which means that KPEP already exceeded the LOP target of 50,000,000 Euros. The main contributors to the LOP increase are agriculture, construction, and forestry and wood processing sectors, as shown in the graph below:

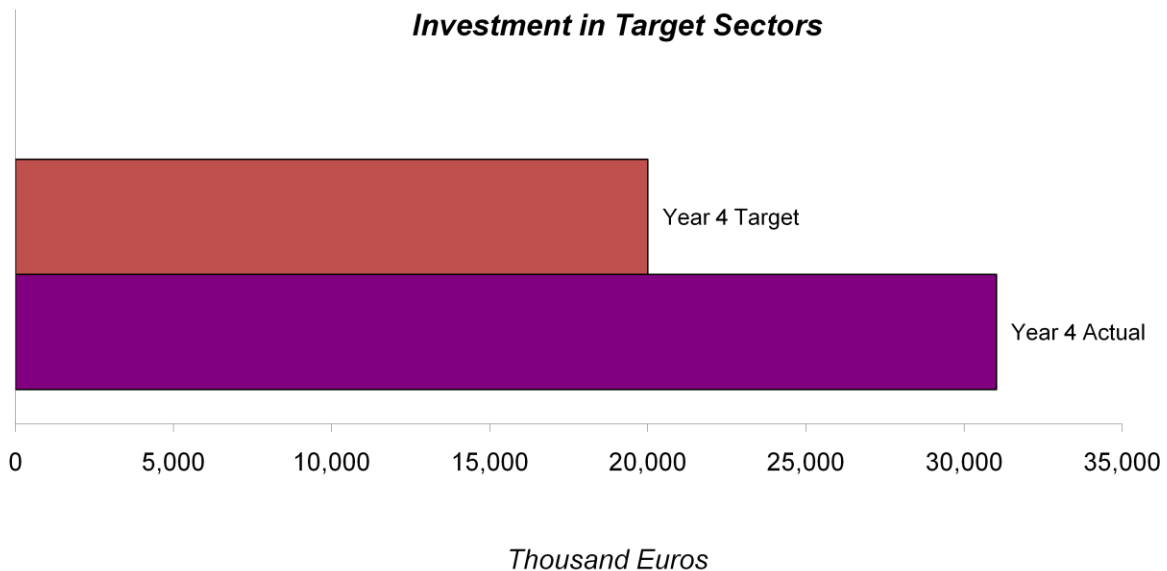


IR.1.3.1 (2) Increased Competitiveness of Key Sectors

Indicator: Increase in investments in target sectors

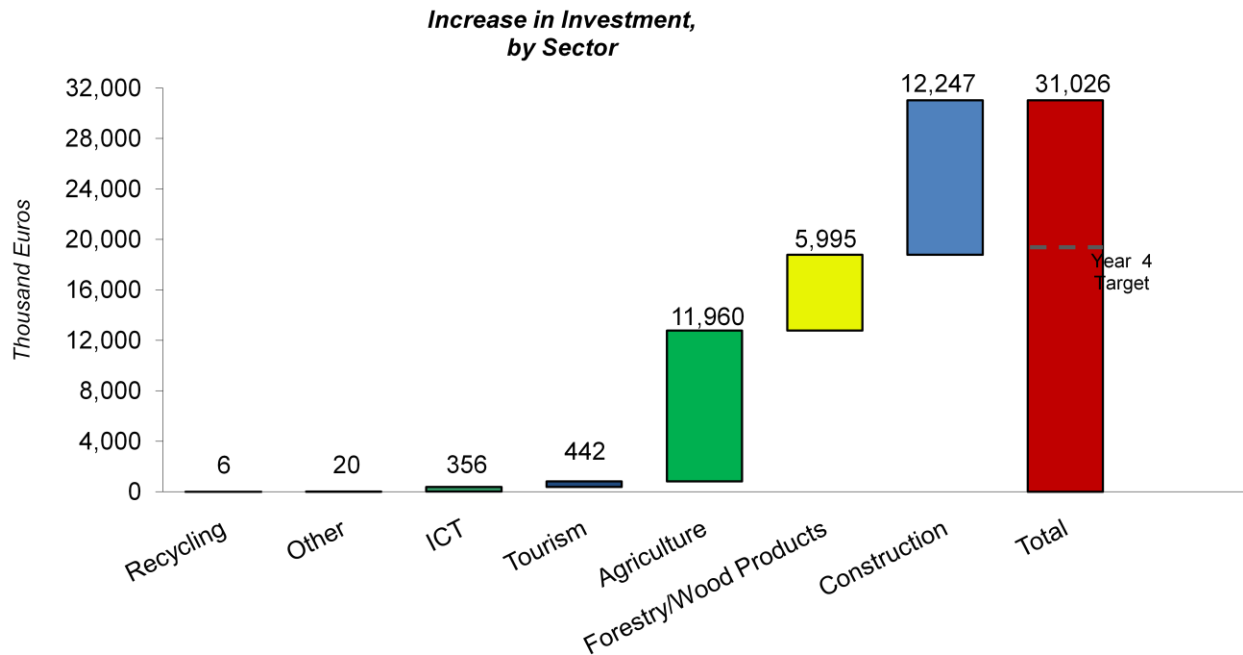
Definition of the indicator: Value of capital investments disaggregated by target enterprise, micro enterprise and by sector.

Data Source: Data received from sector specialists.



Quarterly Results. The cumulative value of investments to date is 31,025,706 Euros. Since the baseline figure was set at zero, the total value of investments in fact represents the total increase in investments. The cumulative target for Q2 Year 4 is an increase in investments of 18,000,000 Euros, a target that has already been exceeded. In fact, KPEP by far exceeded the LOP target for investment, which was set at a 20 million Euro increase.

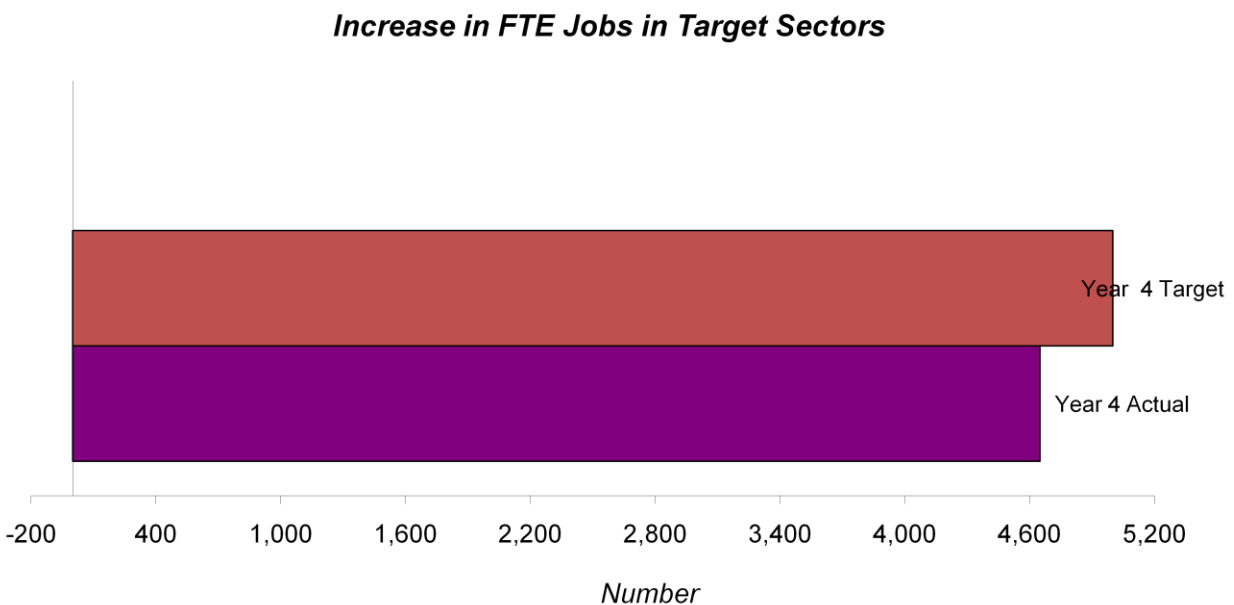
The main contributor to the LOP increase is still the construction sector, followed by agriculture, and forestry and wood processing sector.



IR.1.3.1 (3) Increased Competitiveness of Key Sectors

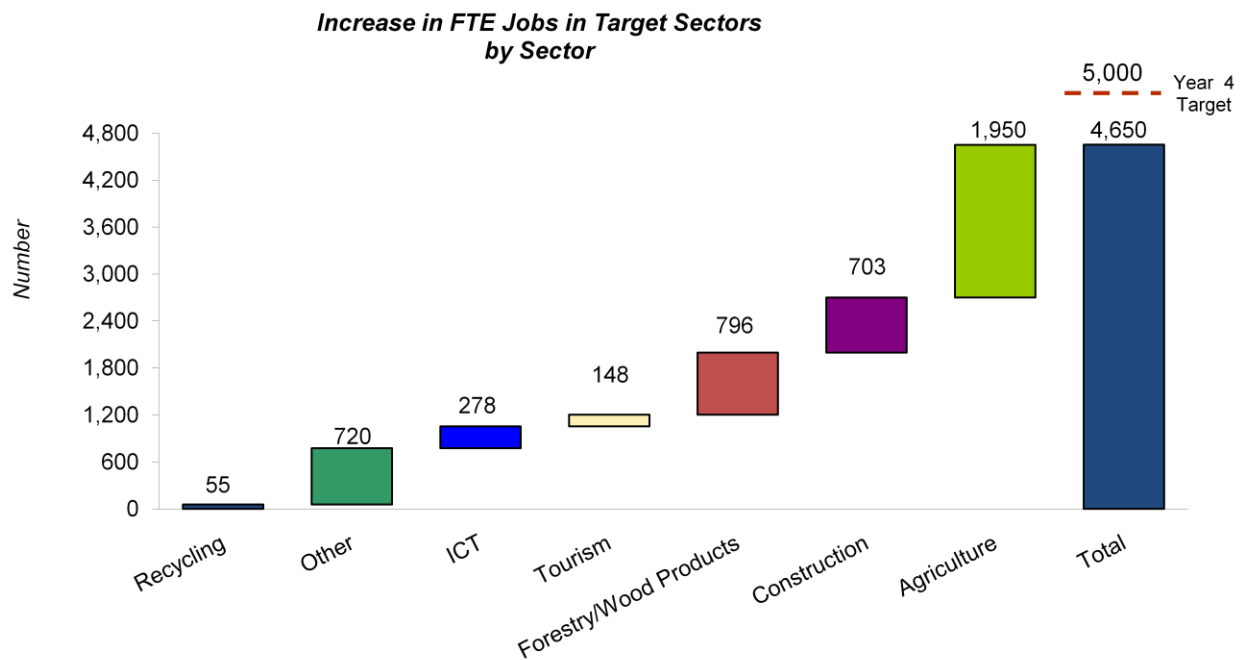
Indicator: Increase in jobs created in target sectors

Definition of the indicator: Number of jobs created, disaggregated by target enterprise microenterprises, and by sector, in terms of full-time equivalent jobs in target enterprises. Person days of employment (part-time employment) are converted to annual full-time equivalent (FTE) jobs using 225 days of labor per year.



Data Source: Data received from sector specialists.

Quarterly Results. The cumulative target for Q2 Year 4 is a 4,500 increase in FTE jobs. The cumulative increase of FTE jobs at KPEP client enterprises to date in Component One is 4,650 FTE jobs, which means that for the first time KPEP reached and exceeded the target on FTEs. The multiplier effect for the total increase in employment for the LOP is 6,500 FTE jobs, although when calculating multipliers not all sectors were included. Below is provided the structure of the LOP increase in FTE jobs by sector. The main contributors to this increase were the agriculture, construction and forestry and wood products sectors.

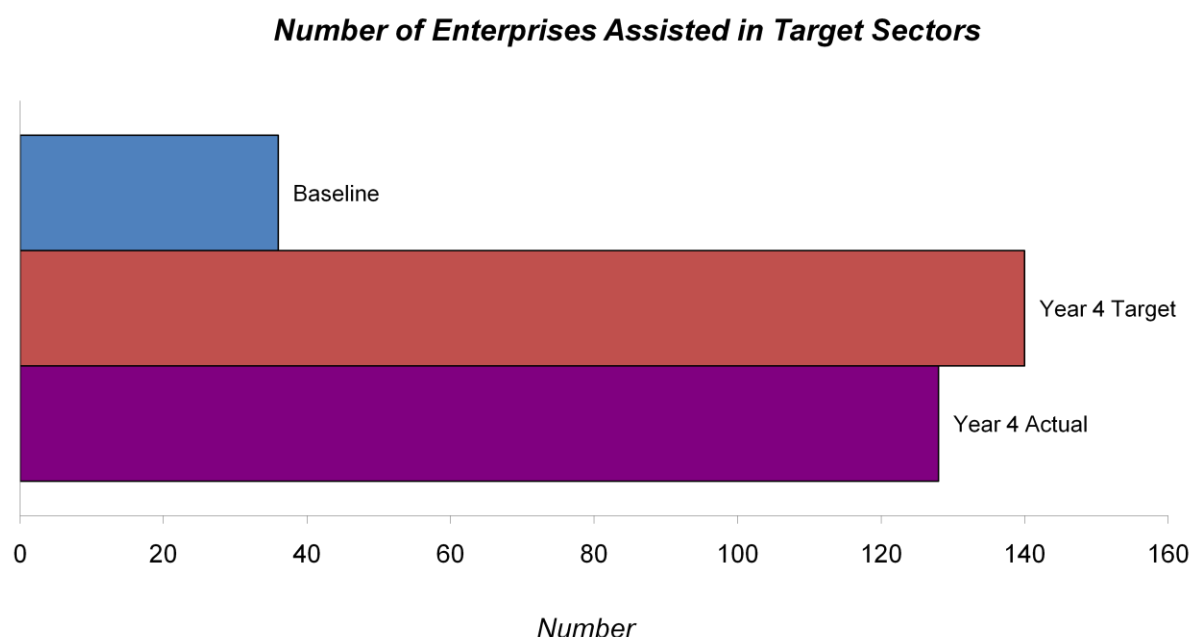


IR.1.3.1 (4) Increased Competitiveness of Key Sectors

Indicator: Number of enterprises assisted in target sectors

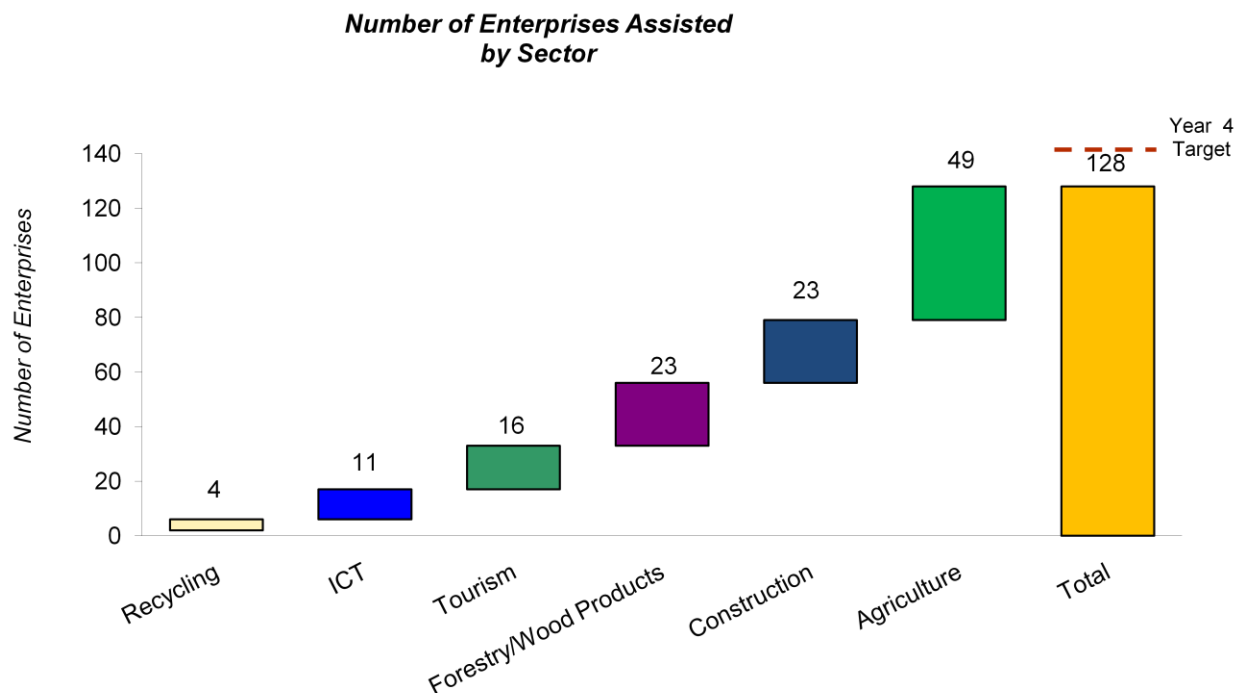
Definition of the indicator: Number of enterprises assisted directly by the project, disaggregated by microenterprise.

Data Source: Data were received from sector specialists.



Quarterly Results. To date, there are 128 KPEP direct-supported enterprises. These companies have signed cooperative agreements with KPEP and receive continuous support from KPEP. In return, these companies provide KPEP with their quarterly data on their key performance indicators. The cumulative target number for Q2 Year 4 is set at 125 enterprises. During this quarter, two new enterprises were added to the system, one in ICT and one in wood processing. KPEP's activities reach almost 670 companies, as reported under another Performance Indicator.

The below provides a breakdown of KPEP's direct client enterprises, by sector.

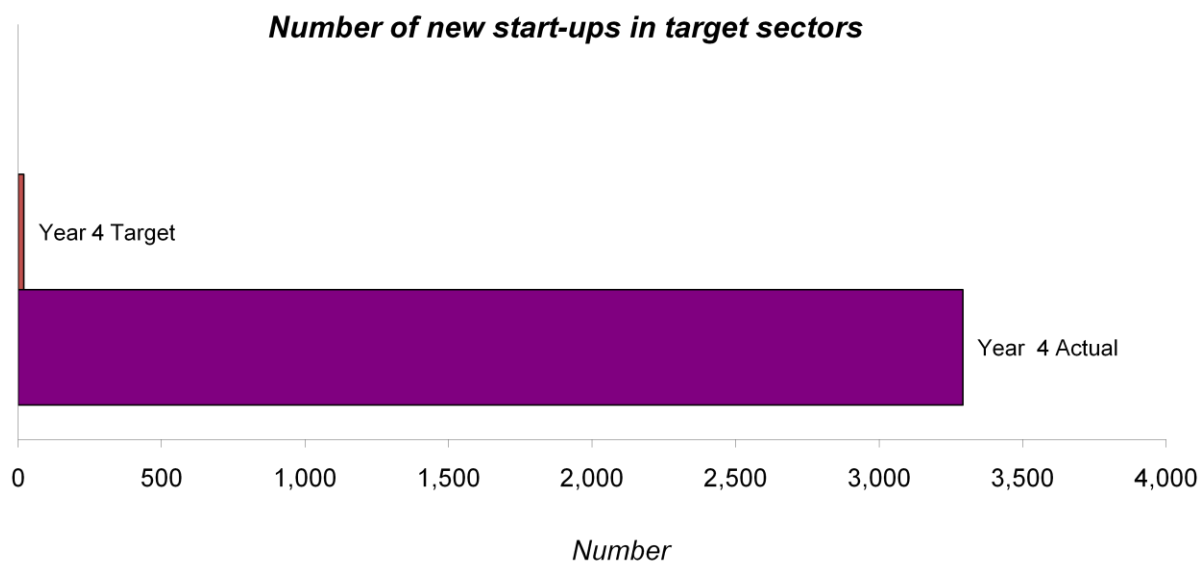


IR.1.3.1 (5) Increased Competitiveness of Key Sectors

Indicator: Number of new start-ups in target sectors, Kosovo wide

Definition of the indicator: Number of new start-ups, disaggregated by microenterprise and sector.

Data Source: Data were received from the Agency for Business Registry (ABRK) of the Ministry for Trade and Industry (MTI).



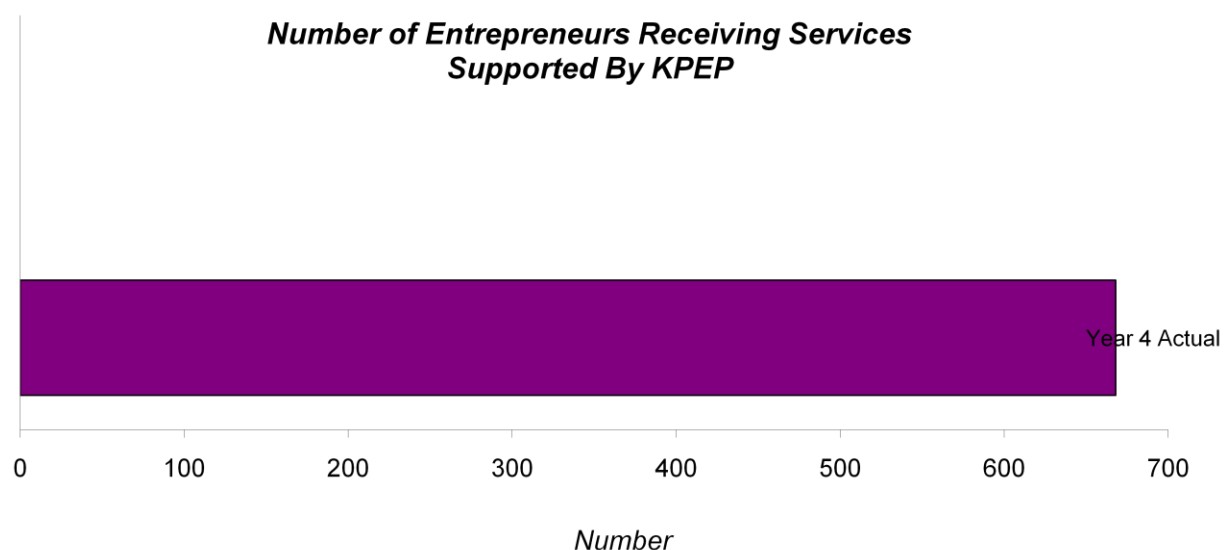
Quarterly Results. This is an annual report indicator. Data are as of September 30, 2011.

IR.1.3.1 (6) Increased Competitiveness of Key Sectors

Indicator: Number of entrepreneurs receiving services supported by USAID

Definition of the indicator: Number of entrepreneurs receiving services directly by KPEP or indirectly through associations supported by USAID

Data Source: Data received from sector specialists.



Quarterly Results. Any service provided, other than training (which is reported under Indicator 1 on workforce development component) is included and reported under this indicator. The list of services provided, among others, includes: study tours, HACCP assessment survey, trade and business linkages, etc. To this list are added also those enterprises that are not direct KPEP clients but that received KPEP support through grants and sub-contracts. To date, a total of 668 entrepreneurs have received services supported by KPEP. No changes were recorded during Q2.

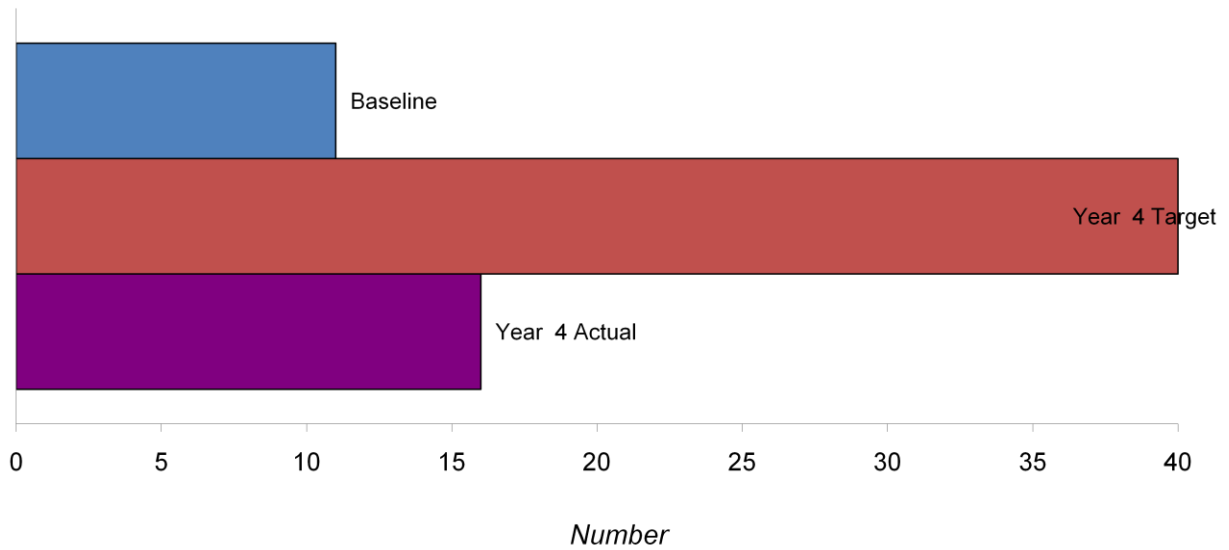
IR.1.3.2 (1) Improved and Demand Driven Business Support Services

Indicator: Number of enterprises and associations providing business support services

Definition of the indicator: Number of enterprises and associations providing business support services that are assisted by KPEP.

Data Source: Data received from sector specialists and BSS team.

***Number of enterprises and associations
providing business support services***



Quarterly Results. A total of 16 BSPs are included in the list of KPEP-assisted BSPs. No new companies were added during Q2, due to the fact that the activities in Component Two were diverted from working with business consultants and other service providers to working with associations instead.

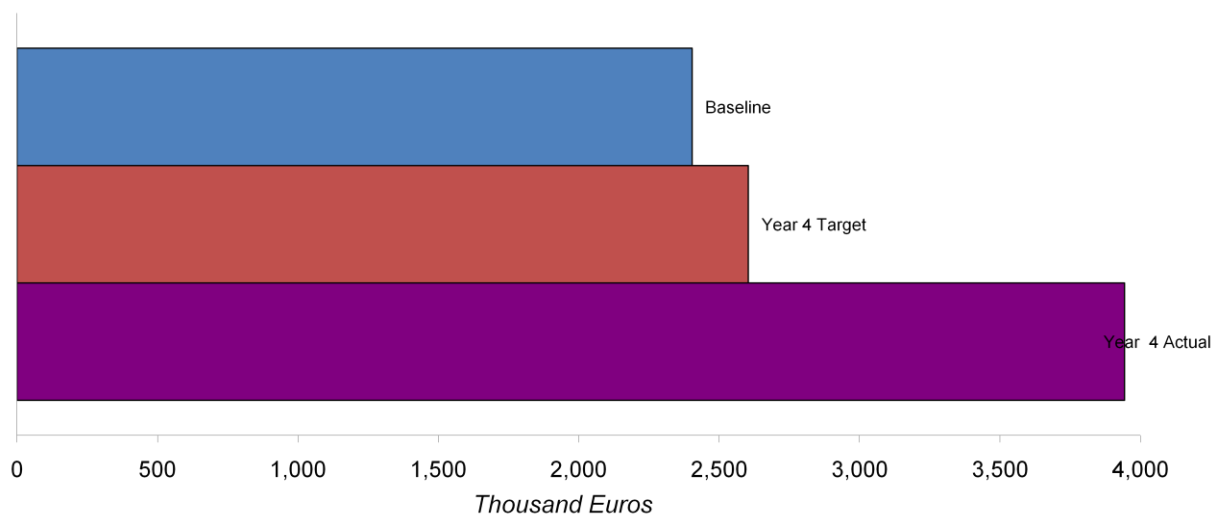
IR.1.3.2 (2) Improved and Demand Driven Business Support Services

Indicator: Increase of sales among BSPs

Definition of the indicator: Value of sales among targeted BSPs, supported by KPEP and disaggregated by export sales.

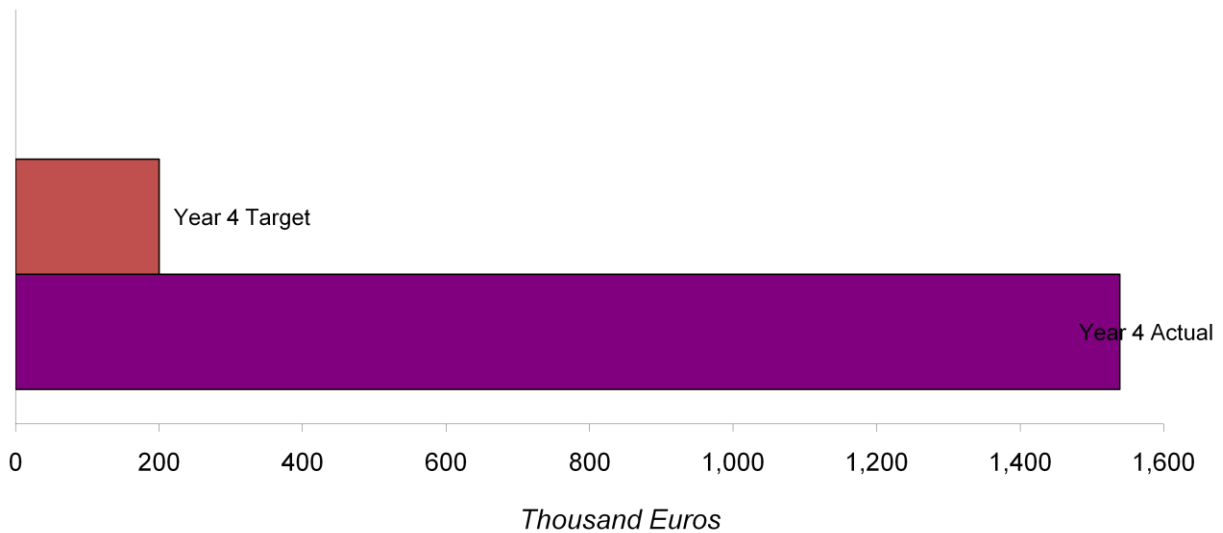
Data Source: Data received from sector specialists and BSS team.

Total value of sales among BSPs



Quarterly Results. The target cumulative increase in sales for Q2 Year 4 is 175,000 Euros over the baseline. The cumulative increase in sales to date is 1,539,088 Euros, which by far exceeds LOP target increase in sales of 200,000 Euros. During the last quarter, there was an increase in sales comparing to the baseline data of 94,975 Euros. The graph below presents the increase in sales, while the graph above represents the total sales value. The total value of sales among BSPs to date is 3,942,846 Euros, which is compared with a baseline of 2,403,758 Euros.

Increase in sales among BSPs



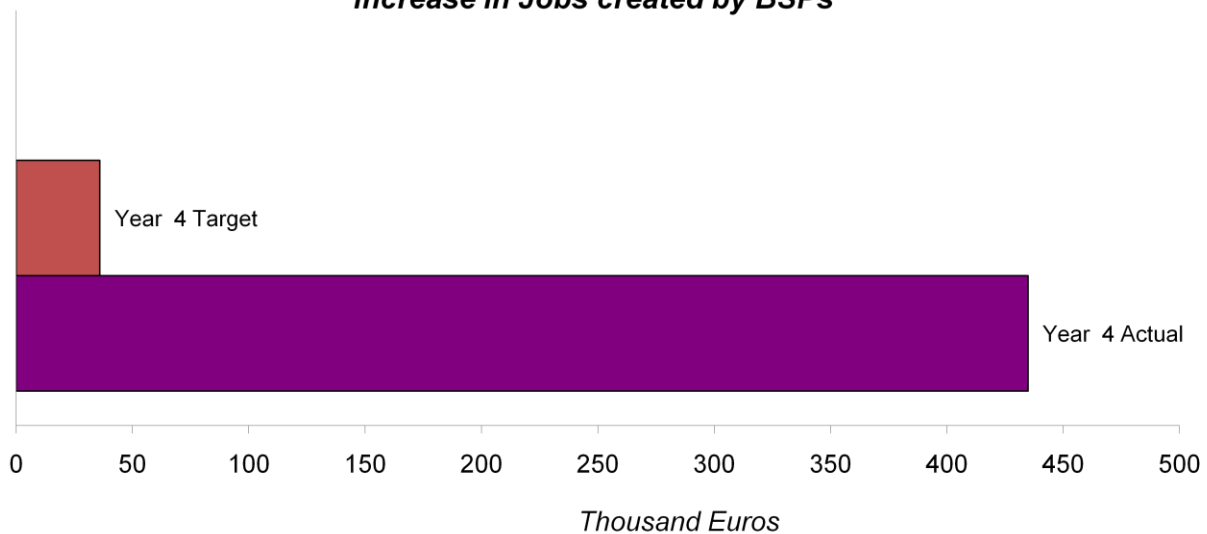
IR.1.3.2 (3) Improved and Demand Driven Business Support Services

Indicator: Increase in jobs created among USAID supported BSPs

Definition of the indicator: Number of jobs created, among target business service providers, in terms of full-time equivalent jobs. Person days of employment (part-time employment) are converted to annual full-time equivalent (FTE) jobs using 225 days of labor per year.

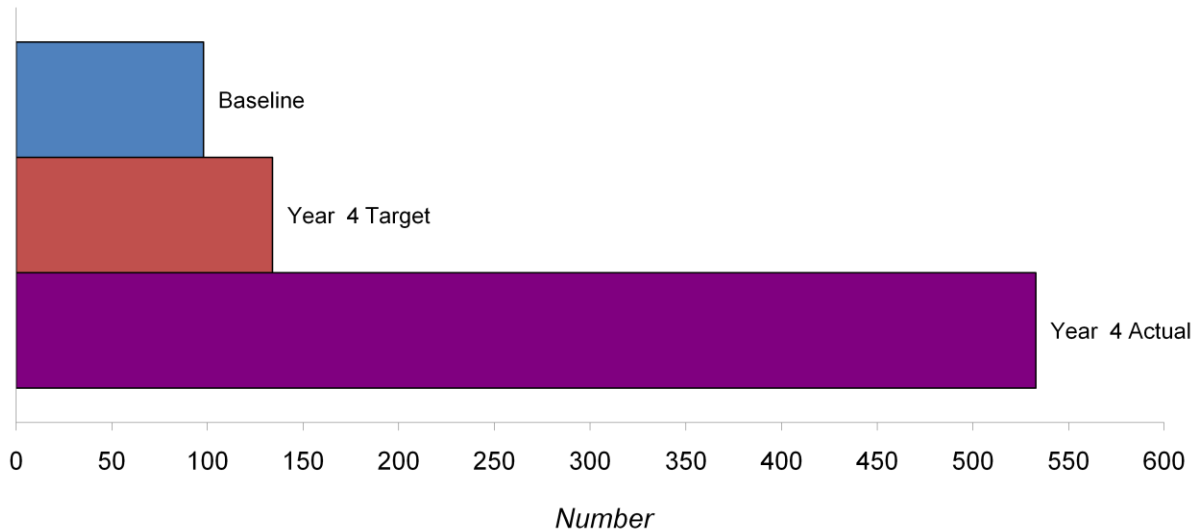
Data Source: Data received from sector specialists and BSS team.

Increase in Jobs created by BSPs



Quarterly Results. The target cumulative increase in FTE jobs over baseline for Q2 of Year 4 is 34. The cumulative increase in FTE jobs to date is 435, which by far exceeds LOP target increase of 36 FTE jobs. The reason for this significant increase in FTE is explained by the addition of the time that interns spent working in KPEP-supported enterprises, under internship programs sponsored by USAID, to the overall number of FTE jobs.

Increase in Jobs created by BSPs



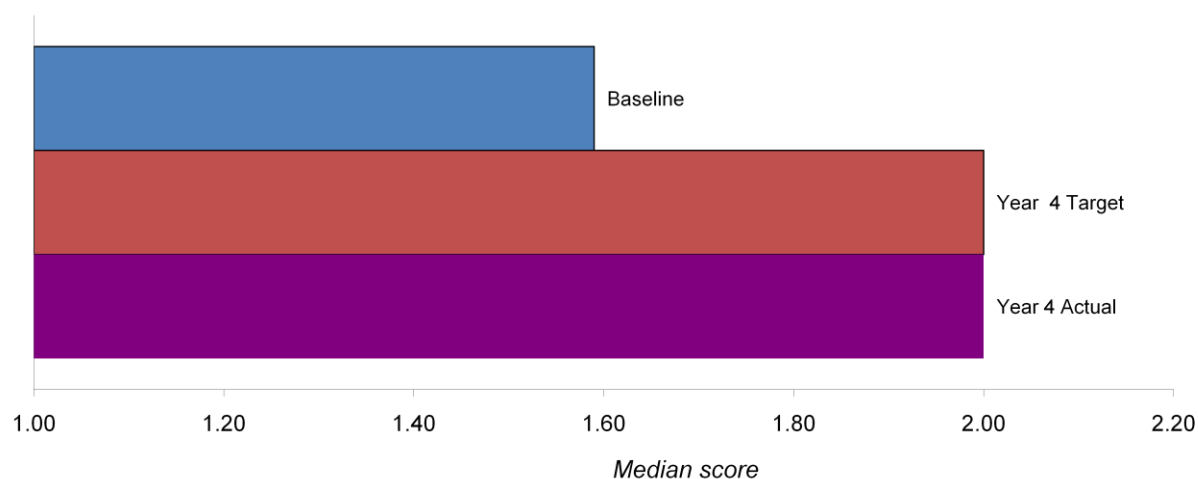
IR.1.3.2 (4) Improved and Demand Driven Business Support Services

Indicator: Progress on the Association Development Index

Definition of the indicator: Progress made by associations on eight elements of the Association Development Index for associations targeted by KPEP. The “Association Development Index as Applied to Selected Associations in Kosovo” assessment was conducted for associations of various businesses in the Republic of Kosovo. Sixteen business associations were chosen for this purpose. The data were collected using an evaluation tool/questionnaire, i.e. the Association Development Index, provided by USAID KPEP. The Index identified eight elements key to effective association management and was supplemented with questions to enhance understanding of each element. Evaluations of the individual associations were used to create the overall recommended baseline. That baseline was developed using statistical averages of mean, median and mode. The recommended baseline is 1.59, which is the median score. The idea is to conduct this type of assessment each year to monitor the progress of associations.

Data Source: Annual survey conducted in August 2011.

Progress on the Association Development Index



Quarterly Results. The first and second ADIs were published in year 2009, in January and October, respectively. By the end of 2009, modest improvements were observed—as of January 2009, the assessed mean score was 1.75; by October 2009 it had increased to 1.88. Throughout this “gap period,” between the second and most recent ADI Reports, the mean score, which reflects eight functional elements, has increased by 6.15 percent. Associations are rated through a process of interviews and careful research. The survey team gathered the information during face-to-face meetings with the highest representatives of each association. The process evaluates their functionality based on eight elements: Effort to Expand Financial Resources; Organizational Capacity; Financial Management; Strategic Planning; Data & Analysis; Networking; Member Services; Public Relations and Advocacy. Later, a similar questionnaire is provided to the association for the purpose of “self-evaluation” through which a sense of objectivity is achieved and both points of view are taken into consideration so as to provide a fuller picture of the actual progress. This year, all associations were interviewed and though the project received back just 70% of the self-evaluation reports. The average score for the general functionality of associations for August 2011 is 2.00 (compared with the 1.88 baseline). There was improvement in all areas of functionality with the largest emphasis on Strategic Planning and Organizational Capacities and less on Expanding the Financial Resources and Public Relations and Advocacy.

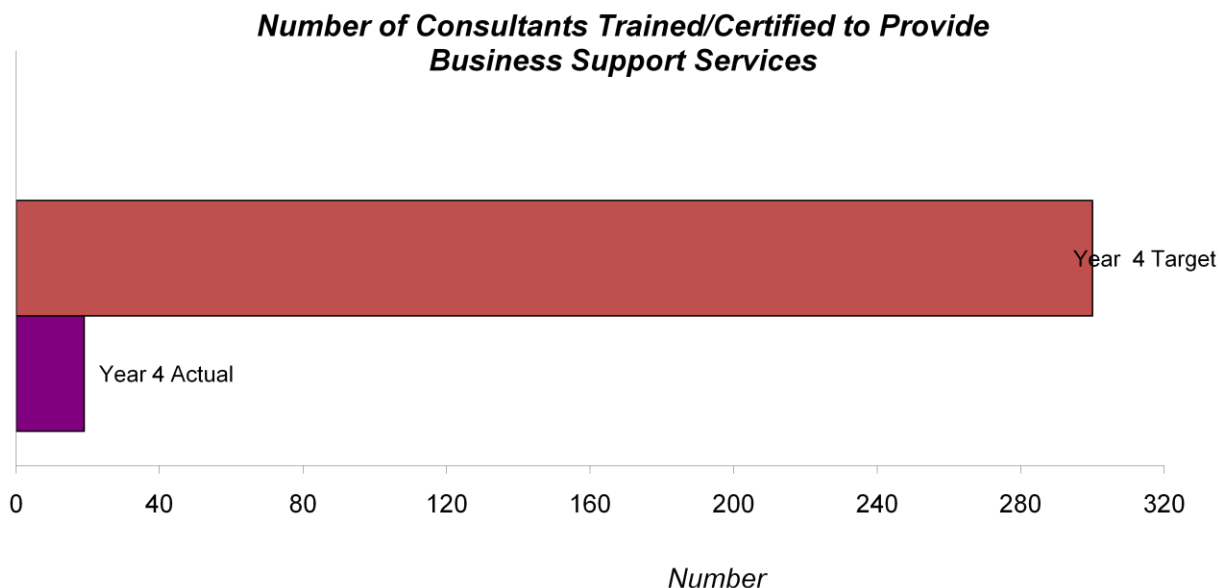
The next survey will be conducted by the end of Year 4.

IR.1.3.2 (5) Improved and Demand Driven Business Support Services

Indicator: Number of consultants trained/certified to provide business support services

Definition of the indicator: Number of consultants trained/certified to provide business support services, trained by KPEP or a target BSP, and supported by USAID.

Data Source: Data received from sector specialists and BSS team.



Quarterly Results. The cumulative target for the number of consultants trained or certified to provide business support services for Q2 of Year 4 is 255. No changes were reported during this quarter. The actual result presented in the chart remains the same as in the last annual report. During Year 1, 19 consultants were certified following the “Kosovo Premier Advisor” training course. No changes are anticipated until project end.

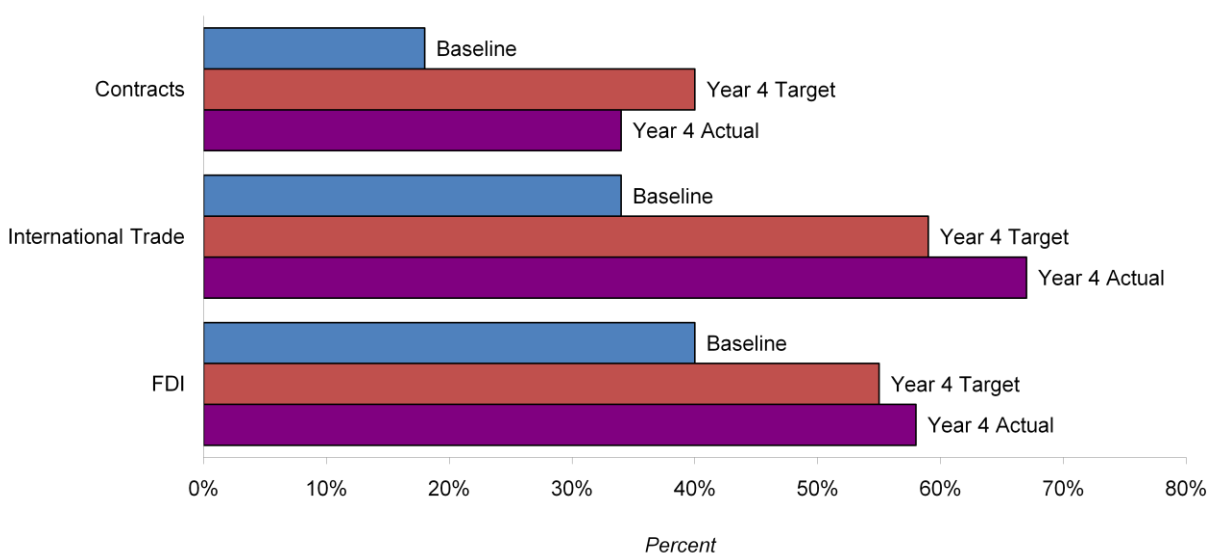
IR.1.3.3 (1) Improved Business Operating Conditions

Indicator: Progress on the Business Environment Index (BizClir)

Definition of the Indicator: The mechanism for monitoring the BEE is the set of Commercial Legal Institutional Reform Assessment Indicator scores compiled for USAID in 2004 and updated in 2006. A 2009 update conducted by KPEP established a baseline, and subsequent updates will chart progress of indicators and subcategories relevant to KPEP activities each year.

Data Source: Annual survey was conducted in January 2010 to update the BizClir Index for 2009.

Progress on BizCLIR Indicators



Quarterly Results. KPEP will not conduct any survey regarding this indicator. BEEP, a new USAID project, will follow up on this task.

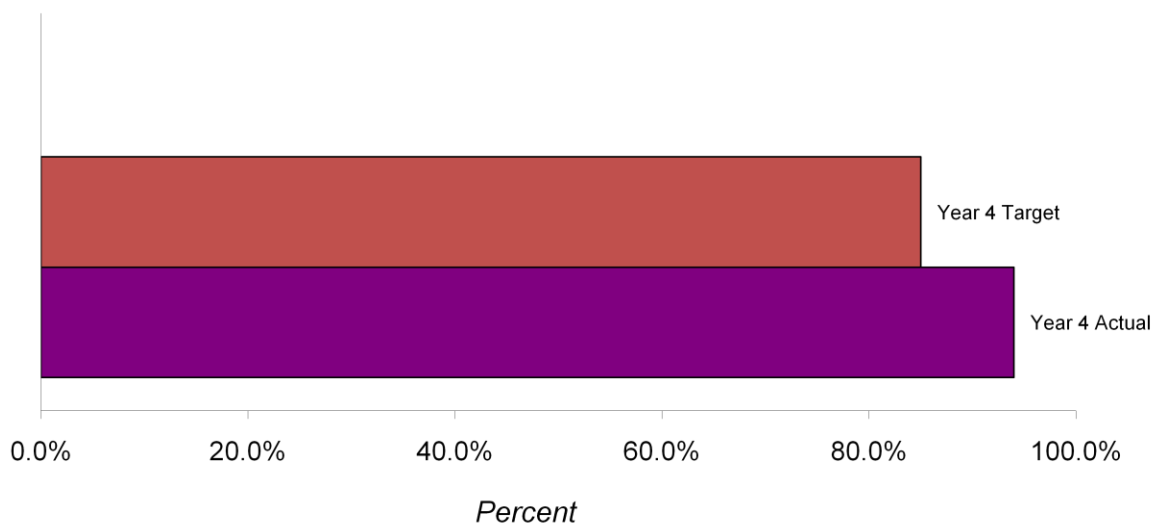
IR.1.3.3 (2) Improved Business Operating Conditions

Indicator: Progress on the policy index

Definition of the Indicator. The number of policies that have met or exceeded established targets on the policy index using percentage of completion.

Data Source: Data received from BEE team.

Progress on the Policy Index



Quarterly Results. The overall score for all policies to date is 94%, calculated as weighted average for completion of all policies taken together. The target for the Year 4 on Policy index is set at 85%. Below is the list of policies in which KPEP was involved in, number of actions that KPEP possibly could be involved and number of actions taken to address the issues regarding specific policies.

Policy	KPEP's possible actions	KPEP's taken actions
Public Private Partnership	7	7
CEFTA implementation	11	7
Removal of tariffs on certain wood imports	8	8
Revision of Waste Management Policy	2	2
Implementation of the Food and Veterinary Law	4	4
Pilot forest certification	13	13
Law on Construction	7	6
ccTLD – Establishment of Telecom Regulatory Agency Board	11	11
ccTLD – Domain Registry Administrative Instruction	8	8
Tourism Law	7	7
Excise Tax Reform	6	6

No changes were reported during the quarter on the status of any policies.

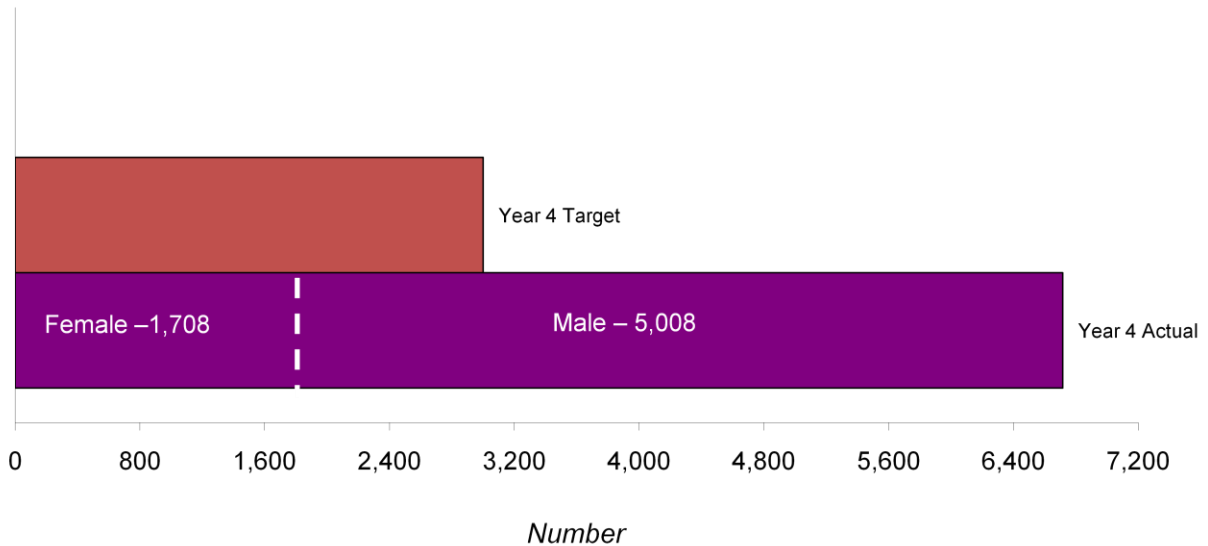
IR.1.3.4 (1) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: The number of individuals trained through USAID-sponsored training

Definition of the indicator: The number of individuals trained, disaggregated by gender, age, ethnicity, sector, type of training, etc.

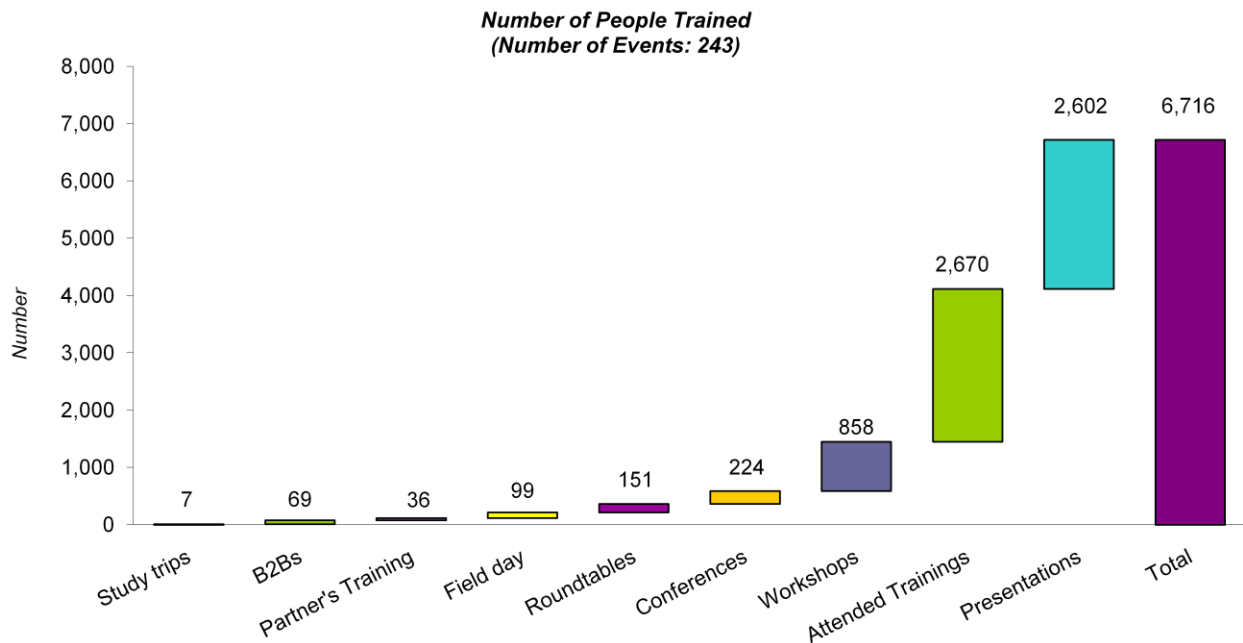
Data Source: Data received from sector specialists and WFD team.

Number of People Trained



Quarterly Results. To date, the number of people trained is 6,716, thus exceeding the LOP target of 3,000 people trained. From the total number of people trained during the year, 5,008 were male and 1,708 female; moreover, 438 were from minority areas, and 1,995 were younger than 25 years of age.

Below is the chart that presents number of training events, and number of people trained by training category for the LOP.

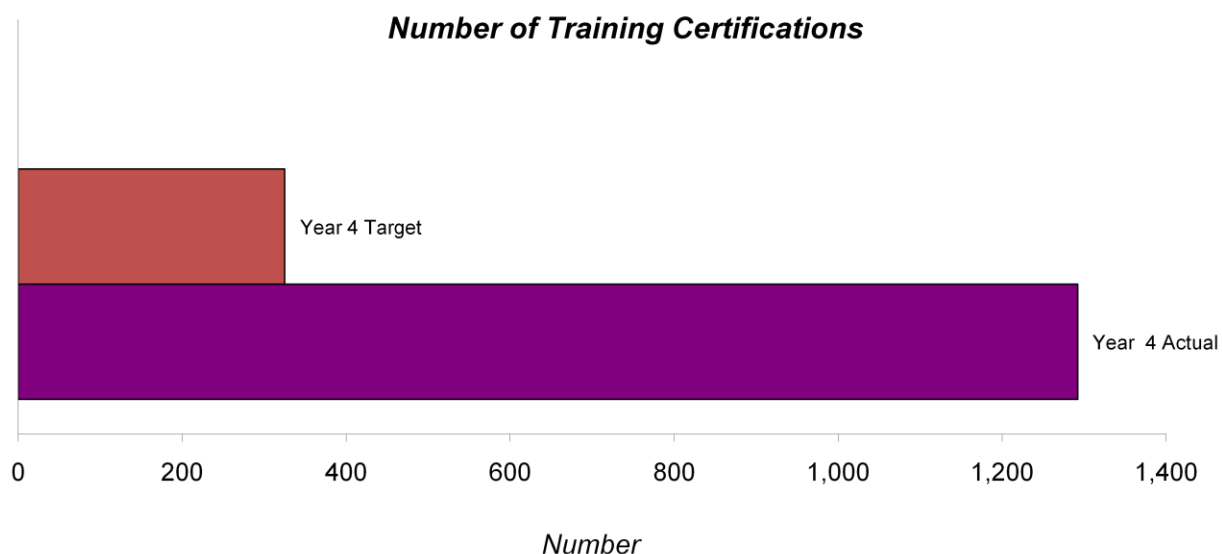


IR.1.3.4 (2) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: Number of training certifications

Definition of the indicator: Number of training certifications earned by participants for completing the training.

Data Source: Data received from sector specialists and WFD team.



Quarterly Results. To date, the number of training certifications earned by participants for completing training is 1,292. During Q2 alone, 201 individuals who participated in USAID-supported training activities received certificates of completion.

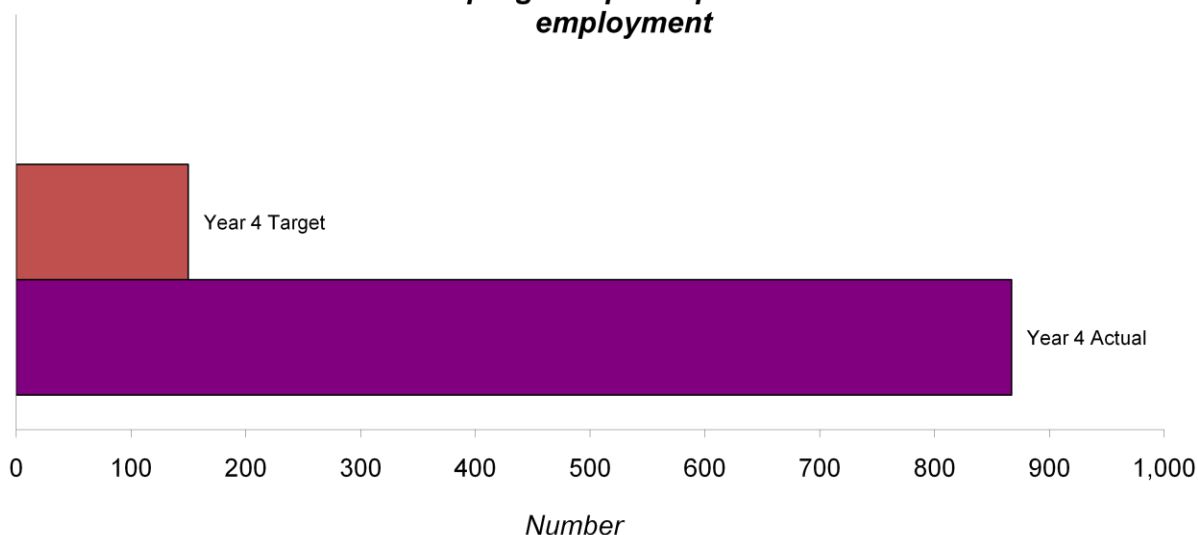
IR.1.3.4 (3) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: Number of program participants who obtain employment

Definition of the indicator: Number of program participants who obtain employment, disaggregated by gender and ethnicity.

Data Source: Data received from sector specialists and WFD team.

Number of program participants that obtain employment



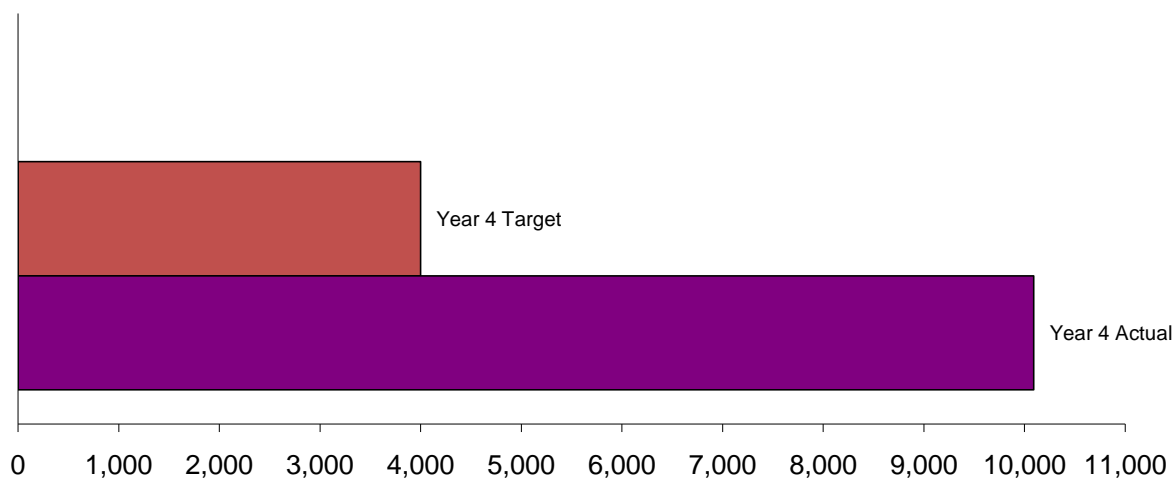
Quarterly Results. To date, a total of 867 people have obtained employment with the support of KPEP. During Q2 alone, 122 people gained employment.

IR.1.3.4 (4) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: Number of individuals provided with services

Definition of the Indicator: Number of individuals provided with services, disaggregated by type of service: counseling, referrals, placement, gender and ethnicity. It excludes the number of people trained, since that number is reported under indicator IR.1.3.4 (1).

Data Source: Data received from sector specialists and WFD team.



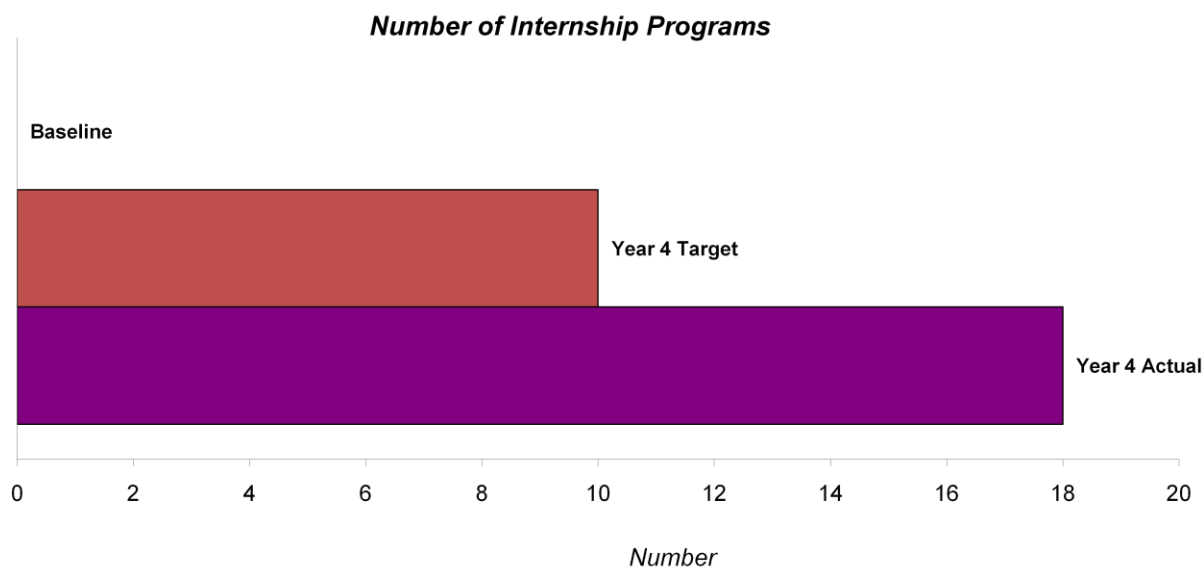
Quarterly Results. To date, the number of individuals provided with services is 10,091. This number includes for the most part individuals who participated in trade fairs supported by USAID. During Q2, 186 new individuals were supported by KPEP.

IR.1.3.4 (5) Improved Capacity of the Workforce to Engage in Employment Opportunities

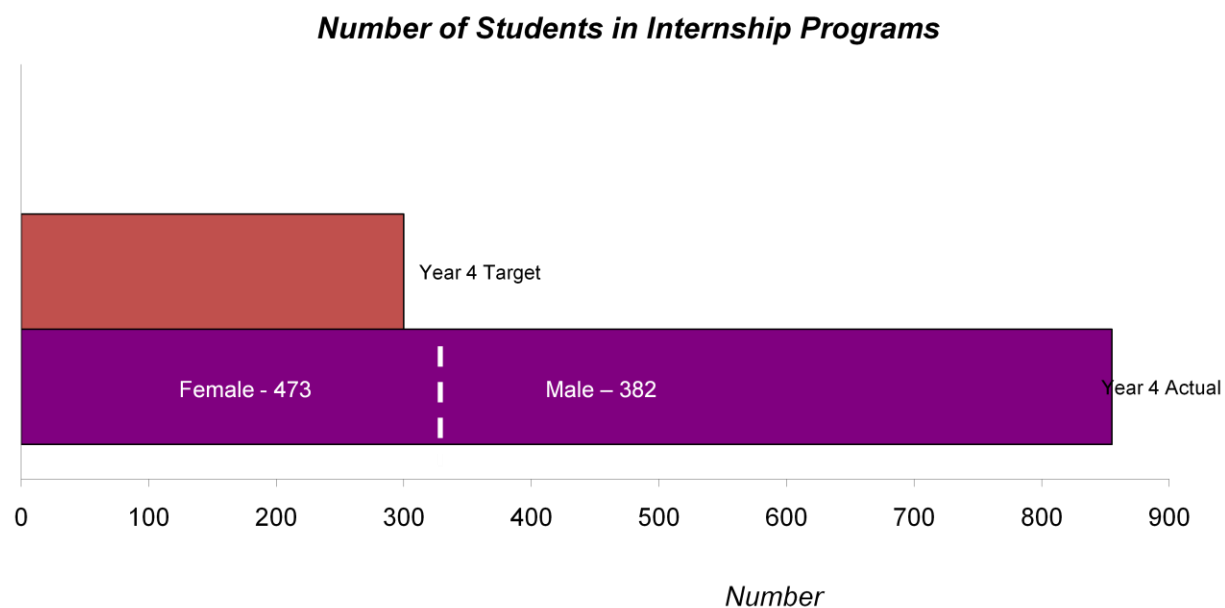
Indicator: Number of Internship programs

Definition of the Indicator: Internships include any sort of embedded training or on-the-job training.

Data Source: Data received from sector specialists and WFD team.



Quarterly Results. To date, KPEP has organized 18 different activities related to internships. Two programs that were reported as internships were reclassified as other trainings since they did not include an internship component. During Q2 150 students formed part of the cross-cutting internship. There were in total 855 interns (473 male and 382 female).

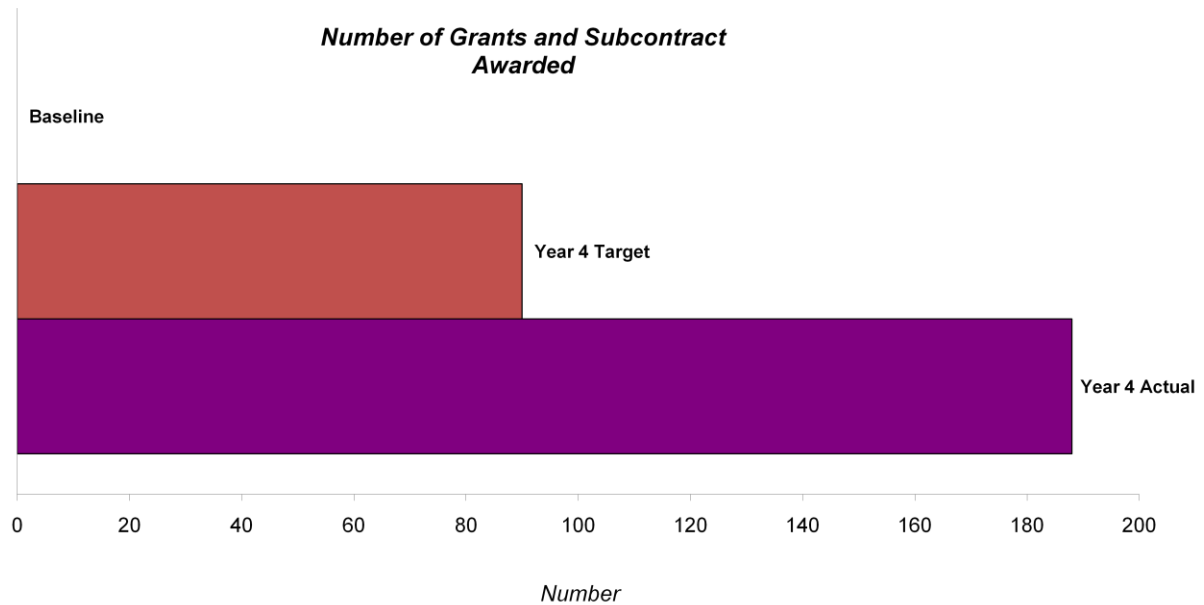


Strategic Activities Fund

Indicator: Number of grants/sub-contracts

Definition of the Indicator: Number of grants and sub-contracts awarded.

Data Source: Data received from SAF specialist.

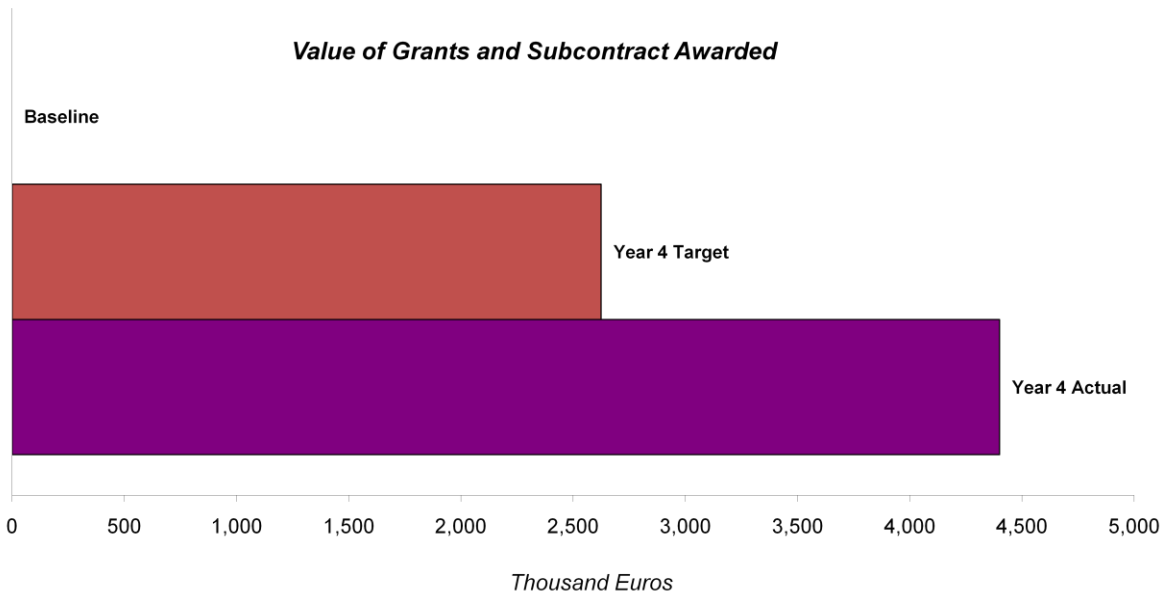


Quarterly Results. To date, KPEP supported its beneficiaries with 60 sub-contracts and 128 grants. During Q2 alone, KPEP awarded five grants, three of them in minority areas.

Indicator: Value of grants and sub-contracts

Definition of the Indicator: Value of grants and sub-contracts awarded.

Data Source: Data received from SAF specialist.



Quarterly Results. To date, KPEP has supported its beneficiaries with 918,501 Euros in sub-contracts and 3,483,343 Euros in grants.

ANNEX 2: PMP REPORT-ANNUAL GOALS AND RESULTS

Annex 1: PMP Report-Annual Goals and Results

SO# IR#	SO Name	Unit measure	Baseli ne Year	Baseline Value	2009 Target	2009 Actual	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
1.3	Accelerated Growth of Private Sector											
Indicators												
1 (AR)	Exports as % of imports, by sector	Percent	2008	10.20	11.00	0.00	11.50	12.80	12.00	13.93	13.00	14.28
2	Foreign direct investment, by sector	Thousand Euros	2008	357,400	430,000	291,500	451,000	354,300	475,000	413,402	500,000	0
3	Value of sales, by sector	Thousand Euros	2008	4,418,000	4,900,000	4,552,795	5,400,000	3,294,933	6,000,000	10,687,247	6,700,000	847,888
4	Number of people employed, by sector	Number	2008	481,000	488,000	496,708	512,000	517,594	523,000	532,745	534,000	541,064
1.3.1	Increased Competitiveness of Key Sectors											
Indicators												
1	Increase in sales in target sectors over the baseline	Euros	2008	185,108,131	8,000,000	13,177,698	20,000,000	41,003,603	40,000,000	71,513,204	50,000,000	93,150,928
	% increase in sales over current baseline	Percent	2008	0	9.40	25.70	16.40	33.60	25.30	45.20	24.40	50.30
2	Increase in investments in target sectors	Euros	2008	0	3,200,000	9,570,686	8,000,000	15,256,256	16,000,000	26,237,767	20,000,000	31,025,706
3 (AR)	Increase in jobs created in target sectors	Number	2008	2,238	800	293	2,000	1,590	4,000	3,515	5,000	4,650
4	Number of enterprises assisted in target sectors	Number	2008	36	61	47	85	66	110	126	140	128
5	Number of new start-ups in target sectors	Number	2008	0	7	448	12	663	16	3,292	20	3,292
6	Number of entrepreneurs receiving services supported by USAID	Number	2008	0	0	496	500	539	0	668	0	668
1.3.2	Improved and Demand Driven Business Support Services											

SO# IR#	SO Name	Unit measure	Baseli ne Year	Baseline Value	2009 Target	2009 Actual	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
Indicator s												
1	Number of enterprises and associations providing business support services	Number	2008	11	20	15	30	15	35	16	40	16
2	Increase of sales among BSPs	Euros	2008	2,403,758	40,000	236,566	110,000	752,302	150,000	1,355,659	200,000	1,539,088
3	Increase in jobs created among USAID supported BSPs	Number	2008	98	8	23	18	74	31	410	36	435
4	Progress on the Association Development Index	Median score	2008	1.59	1.6	1.65	1.7	1.65	1.9	2.0	2	2.0
5	Number of consultants trained/certified to provide business support service	Number	2008	0	70	19	150	19	240	19	300	19
1.3.3	Improved Business Operating Conditions											
Indicator s												
1	Progress on the Business Environment Index (BizCLIR)											
1.1	Contracts	Percent	2008	18	25	0	32	34	40	34	50	0
1.1.1	Supporting Institutions (B.3)	Percent	2008	10	15	0	19	21	24	21	30	0
1.1.2	Social Dynamics (B.4)	Percent	2008	26	35	0	44	41	55	41	69	0
1.2	International Trade	Percent	2008	34	41	0	49	67	59	67	70	0
1.2.1	Legal Framework (H.1)	Percent	2008	41	45	0	53	82	63	82	74	0
1.2.2	Implementing Institutions (H.2)	Percent	2008	27	40	0	47	45	56	45	65	0
1.2.3	Supporting Institutions (H.3)	Percent	2008	35	40	0	47	73	56	73	65	0
1.2.4	Social Dynamics (H.4)	Percent	2008	34	40	0	50	61	62	61	76	0
1.3	Foreign direct investment, by sector	Percent	2008	40	48	0	52	58	55	58	60	0

SO# IR#	SO Name	Unit measure	Baseli ne Year	Baseline Value	2009 Target	2009 Actual	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
1.3.1	Legal Framework (K.1)	Percent	2008	43	45	0	49	74	52	74	57	0
1.3.2	Implementing Institutions (K.2)	Percent	2008	36	45	0	49	53	52	53	57	0
1.3.3	Supporting Institutions (K.3)	Percent	2008	54	60	0	65	76	70	76	76	0
1.3.4	Social Dynamics (K.4)	Percent	2008	28	40	0	43	43	47	43	50	0
2	Progress on the policy index	Percent	2008	0	70	72	75	92	80	94	85	94
1.3.4	Improved Capacity of the Workforce to Engage in Employment Opportunities											
Indicator s												
1	The number of individuals trained through USAID sponsored training	Number	2008	0	700	1,620	1,400	4,183	2,500	6,466	3,000	6,716
2	Number of training certifications	Number	2008	0	80	20	160	252	275	711	325	1,292
3	Number of program participants that obtain employment	Number	2008	0	TBD	2	20	135	100	713	150	867
4	Number of individuals provided with services	Number	2008	0	800	7,326	1,600	9,078	3,500	9,859	4,000	10,091
5	Number of internship programs	Number	2008	0	3	3	6	13	8	17	10	18
	Strategic Activities Fund											
Indicator s												
1	Number of grants/sub-contracts	Number	2008	0	20	26	45	66	70	177	90	188
2	Value of grants and sub-contracts	Euros	2008	0	400,000	447,837	1,750,000	1,335,357	2,370,000	3,973,027	2,625,000	4,401,844

ANNEX 3: PMP REPORT-QUARTERLY RESULTS

SO# IR#	SO Name	Unit measure	Baseline Year	Baseline Value	2012 Target	Q1 2012 Actual	Q2 2012 Actual	Q3 2012 Actual	Q4 2012 Actual	2012 To date
1.3	Accelerated Growth of Private Sector									
Indicators										
1 (AR)	Exports as % of imports, by sector	Percent	2008	10.20	13.00	10.49	14.28			14.28
2	Foreign direct investment, by sector	Thousand Euros	2008	357,400	500,000	0	0			0
3	Value of sales, by sector	Thousand Euros	2008	4,418,000	6,700,000	847,888	0			847,888
4	Number of people employed, by sector	Number	2008	481,000	534,000	8,319	0			8,319
1.3.1	Increased Competitiveness of Key Sectors									
Indicators										
1	Increase in sales in target sectors	Euros	2008	158,367,019	50,000,000	16,329,109	5,308,615			21,637,724
2	Increase in investments in target sectors	Euros	2008	0	20,000,000	2,929,001	1,858,938			4,787,939
3 (AR)	Increase in jobs created in target sectors	Number	2008	2,138	5,000	659	476			1,135
4	Number of enterprises assisted in target sectors	Number	2008	36	140	0	2			2
5	Number of new start-ups in target sectors	Number	2008	0	20	0	0			0
6	Number of entrepreneurs receiving services supported by USAID	Number	2008	0	TBD	0	0			0
1.3.2	Improved and Demand Driven Business Support Services									
Indicators										
1	Number of enterprises and associations providing business support services	Number	2008	11	40	0	0			0
2	Increase of sales among BSPs	Euros	2008	1,992,060	200,000	88,454	94,975			183,429

SO# IR#	SO Name	Unit measure	Baseline Year	Baseline Value	2012 Target	Q1 2012 Actual	Q2 2012 Actual	Q3 2012 Actual	Q4 2012 Actual	2012 To date
3	Increase in jobs created among USAID supported BSPs	Number	2008	98	36	1	24			25
4	Progress on the Association Development Index	Median score	2008	1.59	2	0	0			0
5	Number of consultants trained/certified to provide business support service	Number	2008	0	300	0	0			0
1.3.3	Improved Business Operating Conditions									
Indicators										
1	Progress on the Business Environment Index (BizCLIR)									
1.1	Contracts	Percent	2007	18	50	0	0			0
1.1.1	Supporting Institutions (B.3)	Percent	2007	10	30	0	0			0
1.1.2	Social Dynamics (B.4)	Percent	2007	26	69	0	0			0
1.2	International Trade	Percent	2007	34	70	0	0			0
1.2.1	Legal Framework (H.1)	Percent	2007	41	74	0	0			0
1.2.2	Implementing institutions (H.2)	Percent	2007	27	65	0	0			0
1.2.3	Supporting Institutions (H.3)	Percent	2007	35	65	0	0			0
1.2.4	Social Dynamics (H.4)	Percent	2007	34	76	0	0			0
1.3	Foreign direct investment, by sector	Percent	2007	40	60	0	0			0
1.3.1	Legal Framework (K.1)	Percent	2007	43	57	0	0			0
1.3.2	Implementing institutions (K.2)	Percent	2007	36	57	0	0			0
1.3.3	Supporting Institutions (K.3)	Percent	2007	54	76	0	0			0
1.3.4	Social Dynamics (K.4)	Percent	2007	28	50	0	0			0

SO# IR#	SO Name	Unit measure	Baseline Year	Baseline Value	2012 Target	Q1 2012 Actual	Q2 2012 Actual	Q3 2012 Actual	Q4 2012 Actual	2012 To date
2	Progress on the policy index	Percent	2008	0	0.85	93	93			94
1.3.4	Improved Capacity of the Workforce to Engage in Employment Opportunities									
Indicators										
1	The number of individuals trained through USAID sponsored training	Number	2008	0	3,000	203	47			250
2	Number of training certifications	Number	2008	0	325	17	564			581
3	Number of program participants that obtain employment	Number	2008	0	150	32	122			154
4	Number of individuals provided with services	Number	2008	0	4,000	46	186			232
5	Number of internship programs	Number	2008	0	10	0	1			1
	Strategic Activities Fund									
Indicators										
1	Number of grants/sub-contracts	Number	2008	0	90	6	5			11
2	Value of grants and sub-contracts	Euros	2008	0	2,625,000	312,725	111,092			423,817

ANNEX 4. KPEP PUBLICATION MATERIALS - KPEP SUCCESS STORIES Q2 Y4



Hashim Deshishku, owner at the opening ceremony in Tirana



Lesna products at Tirana show room



Bashkim Deshishku, Manager at Lesna

Kitchen Exports Make Company Even More “Counter Productive”

A Kosovo-based manufacturer has opened its first kitchen and furniture showroom in neighboring Albania, marking its further expansion into potentially lucrative export markets with the assistance of USAID.

The new Lesna showroom in Tirana highlights the company’s custom kitchens as well as office furniture and dining room tables. The showroom joins a previously opened Lesna outlet, also located in the Albanian capital that showcases the firm’s windows and doors.

Lesna’s Albanian presence marks its second regional outpost. In 2010, the company opened a showroom in Skopje, Macedonia.

“According to our estimates, potential sales show a lot of promise in Albania,” says company manager Bashkim Deshishku. Custom orders placed in Albania will be transmitted electronically to Kosovo, where the company will manufacture each kitchen to spec, he notes.

Photo taken by KPEP



Lesna representatives and Senior officials from Kosovo and Albania at the Albrelax Fair, 2011, in Albania



Lesna exhibition at the Albrelax Fair 2011, Albania

Lesna's kitchen and furniture division moved to establish a permanent presence in Albania after exhibiting at Tirana's Albrelax furniture fair in September 2011, says Deshishku. USAID's Kosovo Private Enterprise Program (KPEP) partnered with the Association of Wood Processors of Kosovo (AWPK) to send Lesna to the Albrelax furniture trade fair as part of a delegation of local furniture manufacturers.

KPEP helps furniture manufacturers to develop commercial relationships with international buyers, given the overall wood-processing industry's strong export potential. The project's overall focus is on strengthening the private sector and increasing the competitiveness of the Kosovo economy.

Among Kosovo's furniture companies, Lesna ranks among the fastest-growing. It began as the Kosovo sales branch of a Slovenian company, but was spun off in the 1990s. In 1997, it began manufacturing doors and windows and, later, furniture and kitchens. It opened a new €2 million euro furniture factory in 2011. Beyond Albania and Macedonia, Lesna next seeks to begin exporting to Switzerland, home to a large Kosovar émigré population.

USAID Scholarship Recipient Pays It Forward

Create a more prosperous future for this poor European nation through targeted youth education and training? There's an app for that—just ask Rhedon Begolli.

Begolli pioneered an innovative USAID-supported program that is training young Kosovo programmers to tap into the \$7 billion global market for mobile applications, or apps, that run on Android smartphones.

To make the program happen, Begolli relied on his position as competitiveness expert on USAID's Kosovo Private Enterprise Program (KPEP), as well as the earlier support he received from USAID as an MBA scholarship student.

"I see my role as creating opportunities for the youth of Kosovo – opportunities for them to learn new technologies and then apply them in an exciting, cutting-edge career," explains Begolli.



The first 10 graduates of the intensive, six-week course have already begun churning out crime-fighting, wine-pairing and other innovative apps to run on the world's 250 million Android phones. The success of the program represents just one of the ways USAID's investment in training and education pays real dividends.

Take Begolli: He earned his MBA in international management at the Monterey Institute of International Studies, thanks to a full scholarship from the Kosovo-American Education Fund. USAID established the fund in 2004 to award graduate fellowships to promising young Kosovars committed to promoting the economic development of their country.

"It certainly broadened my expertise in international business, which is something that is really lacking in Kosovo," Begolli says of his "eye-opening" experience studying in California.

After graduating in 2006, Begolli worked in the U.S. and Germany for a division of Siemens AG. He then returned to Kosovo to join KPEP, a \$20 million private sector development program implemented by Booz Allen Hamilton. Begolli says he quickly recognized how KPEP could serve as a platform for putting his skills and knowledge to work helping others.

"It's professionally satisfying but it's also fulfilling," Begolli says of his work. "It gives me a real feeling of giving back to the community."

On KPEP, Begolli focuses on the expanded role IT can play in Kosovo, both in fostering exports and employing its sizeable youth population.

“I see great potential there, because the IT market is a global market yet it doesn’t matter where you are – you can join it from your own home. We can have people in Pristina working on projects based anywhere in the world,” Begolli says.

Android in particular intrigued Begolli, given the staggering growth in the market for smartphones and the apps that run on them. Another 700,000 Android smartphones come online each day, driving in turn the demand for apps. So far, Android smartphone users

have downloaded 12 billion apps.

Industry experts forecast by 2015 the app market could more than quadruple in value, to as much as \$35 billion.



Those kinds of numbers inspired Begolli to muster KPEP in developing a focused Android training program. He located a trainer, leveraged the donation of laptops and smartphones from a Norwegian government-supported project, managed the course design, publicized it through social media, combed through 80 applications and then monitored the first

batch of students.

For Kosovo, capturing even a tiny fraction of the Android app market could make a major difference in its anemic export earnings and high youth unemployment rates, Begolli says. And while Kosovo’s relative political and geographic isolation have hampered its potential as an exporter, Android apps could buck that trend, given the ease with which digital goods move, he adds.

“One thing is to provide education for young people but we need to show them opportunities too – to inspire them about what they can become. Often, they don’t even know what they can do with the knowledge they already have,” Begolli says.

The benefits of USAID’s investment in education and training – both at home and abroad – likely will accrue for years to come. Just ask Bardh Lohaj, 20, one of the Android programmers trained with USAID assistance. Lohaj tells KPEP he is already looking forward to the day when he can train others in the very skills that just landed him a full-time job with the local subsidiary of a Dutch app developer.

North Kosovo Internships Lead to Full-time Jobs

A USAID program that offers on-the-job training to idle youth in Kosovo's troubled North has led to 35 interns landing full-time employment with area companies. The program forms part of USAID's overall increase in assistance to the volatile area, home to much of Kosovo's ethnic Serb minority. Youth unemployment rates there — as is the case across Kosovo in general — are estimated at 50% to 70%.

USAID's Kosovo Private Enterprise Program (KPEP) designed the internship program as the latest in a series of short-term employment activities. Previously, the USAID project employed local residents in cleaning trash from the banks of the Ibar River and thinning area forests.



Newly hired interns at PTP Europa



Final product of wood chips at PTP Europa

Unlike those two latter activities, the internship program marks an evolution given its lasting impact on participants, says Burim Korqa, a USAID Kosovo Private Enterprise Program workforce development expert.

"I couldn't be more satisfied — we've created something with a sustainable effect," says Korqa. But don't just take his word for it — just ask Milos Radosavljevic.

The mechanical engineering graduate is one of the six interns since hired on full-time by Europa PTP, an oak flooring and wooden pellet manufacturer in the northern town of Lesak. Where would Radosavljevic be without the program? He's quick to answer: "*Ne radim nista*," the grateful 27-year-old says. "I wouldn't be doing anything."

Under the first phase of the program, 100 interns received training in resume-writing, customer-service and other soft skills required to thrive in the working world. The program then placed the interns on factory floors, at retail outlets and in corporate offices, where they could spend six months learning firsthand the practical skills that businesses demand. The program dovetails with USAID's goal of developing Kosovo's private sector workforce.

Twenty-eight local firms, among them poultry farms, Internet service providers and pharmacies, took part. Each intern received a monthly stipend of roughly 220 Euros.



Milos Radosavljevic, working at PTP Europa

At PTP Europa, Radosavljevic now works full-time, earning 400 Euros a month operating a steam-belching machine that produces a steady cascade of pellets — a metric ton's worth an hour, every hour, around the clock.

Meanwhile, as the program enters its second phase, interest remains strong among interns and companies alike.

"Do I want more interns?" asks Europa PTP owner

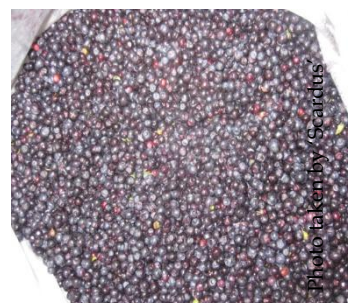
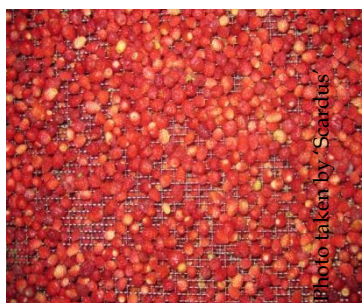
Mladen Milicevic. "I'll take all you can give."

Wild Harvest Yields Jams, Jobs

Kosovo's wildest corner is taming tables across Europe. The country's rugged Sharri Mountains abound in mushrooms, berries and herbs – uncultivated products with a cultivated taste that have become, with USAID's assistance, one of Kosovo's most sought-after exports.



Berry commodities that Scardus collects and processes



Each year, pickers fan out across the mountain slopes to harvest wild blueberries, raspberries, juniper berries, chanterelles, morels, rose hips and a variety of herbs. Much of that harvest ends up in Sterpce/Shterpce, at Scardus Co., a firm founded by Dobrivoje Stevanovic in 2002.

Stevanovic works with 150 seasonal collectors in 14 villages across this majority ethnic Serb municipality, located in Kosovo's far south. Thanks to USAID, Scardus has steadily increased the quantity and quality of the wild-picked products it buys, processes and sells. In good years, Scardus may buy 110,000 pounds (50,000 kilograms) of wild blueberries alone – a bounty worth 100,000 Euros to pickers.

USAID, through its Kosovo Private Enterprise Program (KPEP), has assisted Scardus with the purchase of equipment used to clean and grade freshly harvested blueberries as well as rose hips, traditionally used to make jams and teas. The activity also aided Scardus in obtaining HACCP certification – a food safety must for any firms seeking to export.

A biologist by training, Stevanovic prides himself on the work Scardus provides in what is an overwhelmingly poor region, even by Kosovo standards. He also ensures his network of pickers go about their work in an environmentally sensitive and sustainable way.



"At Scardus, we run our business according to the principles of sustainable growth," Stevanovic says. "We take special care to preserve and develop the environment and local society. We are extremely sensitive to the needs of both."



Scardus dries some product and sells some fresh, including to another USAID beneficiary, Ask Foods. That firm sources raspberry from Scardus, using them to make the fresh jams it sells both domestically and abroad. Scardus also relies on a cooling chamber, purchased with USAID assistance, to freeze fresh products for later, out-of-season sale, when they can fetch higher prices.

Today, after a decade in operation, Scardus is generating more jobs and higher incomes than ever, thanks in no small part to USAID.

Forestry Project is an Investment in Kosovo's Future



Families benefiting firewood

Thinner forests are making for fatter wallets among the ethnic Serb minority residents of this village, thanks to USAID. An innovative program has put dozens of villagers to work thinning the surrounding forest, improving its health and their wellbeing.

"It's a win-win for the public forests and people across the Municipality of Leposavic," says Branko Bojovic, executive director of M&A, a nonprofit group implementing the €92,000 demonstration project on behalf of USAID's Kosovo Private Enterprise Program (KPEP).

Kosovo is a poor country but rich in forests – about 42 percent of the country is forested. Unfortunately, the central and local governments spend very little on forestry. As a result, Kosovo's forests suffer from a lack of careful management and an abundance of illegal logging, rampant during and after the 1999 conflict.

"War, political transitions and economic instability harm forests too," says Hysen Shabanaj, a forestry expert with USAID Project.

In the years since hostilities ceased, formerly clear-cut oak, beech and other low forests have grown back across Kosovo, albeit haphazardly. As a result, the country's second-growth forests largely consist of thickets of spindly trees with little commercial or environmental value.



Leposavić forest area – when the thinning started



Isn't this healthier picture of the same forest?

USAID decided to intervene by designing a pilot forest-thinning program for northern Kosovo. Thinning a forest consists of selectively cutting trees to reduce its overall density. Doing so permits close control of species distribution. It also accelerates the growth and improves the quality of individual trees, partly by increasing their resistance to insects, disease and drought. It further creates openings and breaks in the forest, which increase plant and animal diversity and decrease fire

risk. Overall, thinning a forest can increase its economic, environmental and social value.

Thinning also demands large amounts of labor – something readily supplied in this chronically underemployed region of Kosovo. Since getting underway in September, the thinning project generated 3,968 person-days of work, shared among approximately 120 locally hired laborers.

While initially met with skepticism, the project ended up having to turn away applicants, most of them from nearby towns, since hiring targeted local villagers.



“It was worthwhile – really worthwhile,” says participant Ratomir Cucic, 54, a furloughed mineworker who otherwise survives on a €130 monthly pension. “We could finally earn something for our families.”

Until heavy winter snows halted work for the season, the crews thinned 162 hectares (400 acres) of forest. The results so far are plain to see.

“Here is a forest,” says Shabanaj, pointing out a newly thinned stand of oak trees on a recent visit. Everywhere, single trees stood where just a few months ago multiple trunks had grown in tight clumps. Shabanaj then pivots toward a still-untouched area, impenetrably thick with growth. “And there is a mess.”

The thinning work yielded significant amounts of firewood – enough to create, when stacked, a cube 7.5 meters (25 feet) a side. The project donated the wood to 100 area households, which rely on firewood year-round for heating and cooking.

While local residents stockpiled the wood – and banked their earnings – the project should accrue them additional benefits well into the future, Shabanaj says.

“In a decade’s time, there will be no need to pay anyone to further thin the forests, because the volume of wood they can extract will be more than enough to compensate them. The forest then will truly be income-producing,” he says.

This pilot forest-thinning project could be replicated across Kosovo, where 47,000 hectares (116,000 acres) of public forests require thinning and cleaning.

Putting Kosovo on the Map

From its ancient villages to modern film festivals, deep canyons to soaring peaks, Kosovo is putting its best face forward. A splashy new geotourism website soon will showcase 50 of the country's most distinctive locations.



USAID and the National Geographic Society collaborated on the soon-to-be-launched site to promote Kosovo and five other Western Balkan nations as a single tourism destination. For Kosovo, the youngest and perhaps least explored of the countries, the site (www.balkansgeotourism.travel) will

mark an opportunity to shine before a global audience.

And shine it does, through a carefully curated list of sites that highlight Kosovo and its people, heritage, culture, geography and history. The list includes everything from thrumming modern cafés in Pristina to staid historic inns that have hosted travelers since the 1500s. Fortified farmhouses, bustling bazaars, dark wine cellars and sunny ski slopes round out the list.

KosovoGuide, a local partner spearheaded the effort, with the support from the Ministry of Trade and Industry and USAID's Kosovo Private Enterprise Program (KPEP). USAID targets tourism as part of its efforts to stimulate Kosovo's private sector and increase the competitiveness of its overall economy.

KosovoGuide began by drawing together a select group of local historians, naturalists, craftspeople and others. Together, the community-based stewardship council then identified and packaged the most authentic and sustainable experiences Kosovo has to offer the world. The resulting virtual guide captures and conveys the authenticity of Kosovo through the eyes of those who know it best—the proud people who call it home.

KosovoGuide plans to promote the site during the Pristina Travel Fair, to be held April 18-20. The overall site launch is set for the week of June 18, with photo exhibits, films and other events in Washington, D.C.

Wine Paired with Tourism Fosters Economic Growth

A unique sense of place—the wine and hospitality industries capitalize on it as few others can. So linking the two makes good economic sense, especially when wine tourism exerts such a powerful draw on travelers eager for authenticity.



Wine-Grape-Culture Festival Rahovec 2011

In Kosovo, USAID is working to do just that, creating new linkages between its age-old wine and fledgling tourism industries. The effort is putting Rahovec/Orahovac, Kosovo's premier wine-growing region, on the map. It's also creating new businesses, jobs and enthusiasm.

Wine tourism remains a largely novel concept in Kosovo, where multiple small, private vineyards have replaced the large, bulk producers once common in Yugoslav days. In assessing the region, USAID's Kosovo Private Enterprise Program (KPEP) saw an opportunity for its grape growers, wine producers and other, allied businesses to collaborate in establishing a wine tourism industry.



Task Force Meeting at TIC Rahovec

In Rahovec/Orahovac, USAID shepherded the creation of a wine tourism task force, with local government officials and the private sector players taking a leading role. The project commissioned a strategy paper, using it to enlist further local interest and support; and it accompanied a select group of stakeholders on a study trip to Italy, where they saw firsthand

how a long-established wine tourism industry operates.

"We had all the resources in place – we just needed to know how to utilize them," said Aliriza Hasku, owner of the Beha-N wine barrel company and a task force member.



Products of Beha-N



Handicrafts with wine theme



Handicrafts with wine theme

Spurred on by USAID, Rahovec/Orahovac now boasts a tourist information center; a splashy (<http://www.rahovectourism.com/>) website; an annual grape, wine and culture festival; and at least two-dozen new or expanded businesses. Locally, new bed-and-breakfasts are opening, existing vineyards are adding restaurants and offering cellar tours, and area hotels are hosting wine tastings for domestic and tourists alike. Even Hasku, the barrel-maker, has branched out and now makes a popular range of wine-themed wooden furniture and souvenirs.



Saranda guiding the Wine tasting tour

"I think that tourism can provide a real living and source of income for the citizens of Rahovec," says Saranda Shala, a Canadian émigré who returned to Kosovo to take a job at the local tourism office- carved out of space donated by a local hotel.

As USAID's Kosovo Private Enterprise Program reduces its direct support, the private and public sectors have stepped in: The municipality, for example, now earmarks money to promote wine tourism.

"Wine tourism represents a real opportunity to make economic and development gains. It's a new industry with a lot of potential," says Musa Cena, the Rahovec/Orahovac municipality's director of economic growth.
